

This Week in China

How to understand recent investment in developers by insurance capital?

Topic of the week:

Recently, Taikang Life and Taikang Pension have invested in Yango, which has once again attracted market attention to insurance funds' preference for listed developers. What are the reasons for insurance capital to invest in real estate? What is the impact on developers?

Insurance capital has invested in developers several times in recent years, is an important shareholder component of many developers. Since 2019, cases of insurance investment in developers appear frequently, such as Ping An invested in CFLD and Jinmao, CPIC invested in Shanghai Lingang, Taiping Life invested in Grandjoy, etc. As of Jun 30, 2020, the major shareholders of many leading developers include insurance shareholders, such as China Life and Dajia Insurance together hold 59.2% of Sino-Ocean shares, and Fude Life Insurance and Dajia Life together hold 50.3% of Gemdale shares.

Real estate sector's low valuation, stable performance, and high dividend yield are in line with insurance investment needs. Insurance funds have low cost, long duration, and high stability requirements, with investment preferences between bonds and high-risk equity, focus on safety, growth and considerable dividends. **In terms of safety**, the value of land held by developers can provide an endorsement of the value of their equity, which is more secure than other industries such as manufacturing. **In terms of growth**, in recent years, results growth trend of leading developers continued, increasing sales will also support the growth of revenue and profits. **In terms of cash flow stability**, among the top 30 developers in contracted sales in 2019, 24 have a higher dividend yield in 2019 than 10-year treasury bond; in Jul 2020, cumulative sales growth rate of TOP100 developers has returned to positive, reflecting strong operation resilience. **While providing a stable rate of return, the resilience of sales and the robustness of results growth provide investors with better dividend growth and higher investment cost-effectiveness.**

Capital demand, marketization of the equity structure, and business expansion drive developers to introduce insurance funds, and the cooperation between insurance companies and developers is expected to be further strengthened. The introduction of strong long-term investors such as insurance capital can enable developers to obtain capital in a healthier manner, and may help developers realize the expansion of diversified business. The positive impact of insurance investment on developers is also reflected in the valuation level. **With strong willingness from both parties, insurance companies and developers may achieve further cooperation.**

Data points:

As of Sep 11th, new house transaction area in 42 major cities this week decreased 16% WoW, and cumulative transaction area in 2020 fell by 3% YoY.

As of Sep 11th, saleable area (inventory) in 13 major cities this week increased 0.4% WoW; average inventory period was 10.3 months, average change was 2%.

As of Sep 11th, second-hand housing transactions in 15 major cities this week decreased 4% WoW, and cumulative transaction area in 2020 fell 4% YoY.

Suggestion:

This week, Taikang's investment in Yango has given a certain boost to stock price of the real estate sector. In terms of policies, Shenyang raised the down payment ratio for the second home to 50%, Changzhou set a 4-year sales restriction period, and the down payment for the second home should not be less than 60%. The above-mentioned cities are all tier-2 and tier-3 cities with relatively high housing market enthusiasm. The introduction of regulatory policies may guide the local commercial housing market to more closely match the actual development of the local area, thereby bringing about the healthy development of the industry and the overall economy. Maintain "Overweight" rating.

Overweight

(Maintain)

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1. How to understand recent investment in developers by insurance capital?

Recently, Taikang Life and Taikang Pension have invested in Yango, which has once again attracted market attention to insurance funds' preference for listed developers. In recent years, insurance capital has appeared among the major shareholders of many developers. As an important institutional investor in the capital market, what are the reasons for insurance capital to invest in real estate? What is the impact on developers?

1.1 Insurance funds have actively invested high-quality developers in recent years

Insurance capital has invested in developers several times in recent years. In recent years, many insurance companies have invested in listed developers through secondary market purchases, subscription for new shares, and agreement transfers. Insurance funds have a preference for the real estate sector when investing the stocks of listed companies. According to data from the Insurance Association of China, since 2019, cases of insurance investment in developers appear frequently, such as Ping An invested in CFLD and Jinmao, CPIC invested in Shanghai Lingang, Taiping Life invested in Grandjoy, etc. Take Ping An Life, which has invested listed companies frequently in 2016, as an example, since 2016, Ping An Life has invested in shares of listed companies 10 times, involving real estate, medicine, software, and other industries. Among them, 4 targets were listed developers: Ping An Life invested in CIFI in 2017, invested in CFLD twice in 2018 and 2019, and invested in Jinmao in 2019.

Table 1: In recent years, insurance capital has frequently invested in developers

Time	Insurance company	Investment target	Method of investment	Shareholding ratio after investment (including persons acting in concert)
2018-07	Ping An Life	CFLD	Agreement transfer	19.88%
2019-01	Ping An Life	CFLD	Agreement transfer	25.25%
2019-07	Ping An Life	Jinmao	Agreement transfer	15.22%
2020-01	Taiping Life	Grandjoy	Subscription of non-public shares	6.61%
2020-09	TAIKANG LIFE & TAIKANG PENSION	Yango	Agreement transfer	13.61%

Source: Company announcements, Insurance Association of China, CWSI Research

Insurance capital is an important shareholder component of many developers. As of Jun 30, 2020, the major shareholders of many leading developers include insurance

shareholders. For example, Ping An holds 8.9% of Country Garden shares, and Dajia Life and China Life hold 3.9% of Vanke A shares. In the shareholder structure of some developers, insurance capital occupies a relatively high proportion of shares. For example, China Life and Dajia Insurance together hold 59.2% of Sino-Ocean shares, and Fude Life Insurance and Dajia Life together hold 50.3% of Gemdale shares. In the equity structure of leading developers, insurance capital plays an important part.

Table 2: In recent years, insurance capital has frequently invested in developers

Company	RIC	Participating insurance company	Shareholding ratio	Total shareholding ratio by insurance capital
Country Garden	2007.HK	Ping An	8.9%	8.9%
Vanke	000002.SZ	Da Jia	2.1%	3.9%
		China Life	1.8%	
PRE	600048.SH	Taikang	6.2%	6.2%
CMSK	001979.SZ	China Life	4.3%	4.3%
Jinmao	0817.HK	Ping An	15.2%	24.3%
		New China Life	9.2%	
CIFI	0884.HK	Ping An	6.7%	6.7%
CFLD	600340.SH	Ping An	25.2%	25.2%
Kaisa	1638.HK	Sino Life	25.2%	25.2%
		China Life	29.6%	
Sino-Ocean	3377.HK	Da Jia	29.6%	59.2%
		Sino Life	29.8%	
Gemdale	600383.SH	Da Jia	20.4%	50.3%
		PICC	1.1%	
Risesun	002146.SZ	Hexie Health	15.9%	36.1%
FINANCIAL STREET	000402.SZ	Da Jia	14.1%	
		Great Life	5.5%	
		Fubon Life	0.6%	

Source: Company announcements, Wind, HKEX, CWSI Research; note: till Jun 30 2020, A shares only include insurance capital among the top 10 shareholders

1.2 What is the significance of insurance investment in real estate?

Characteristics of insurance funds: low cost, long duration, and high stability requirements. Insurance funds mainly come from insurance policies, and the overall cost is relatively low. Insurance companies have a relatively long liability end duration, and there are certain uncertainties in the time and amount of compensation. Therefore, insurance companies need relatively long-term investment and relatively sufficient available funds to achieve full coverage of compensation amount at any time.

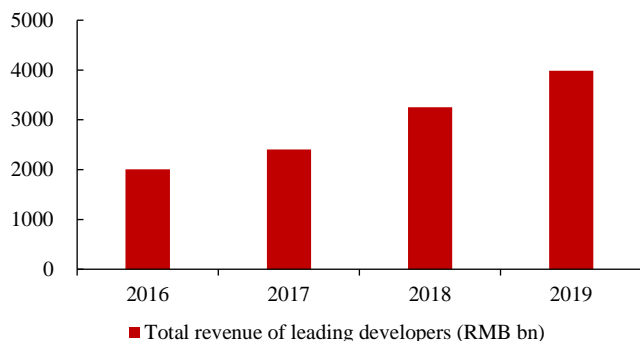
Characteristics of insurance investment equity targets: investment preferences are between bonds and high-risk equity, focus on the safety, growth and considerable dividends. The characteristics of insurance funds bring it requirements for absolute long-term investment return, safety and liquidity during the investment process, making them more inclined to choose targets with longer investment horizon and relatively low investment risks. In equity assets, the requirements may reflected as a target with good dividend status, low valuation and certain growth potential.

1.2.1 Real estate to insurance capital and investors: long-term investment targets with high dividends

Safety: Land value guarantees investment security. Real estate development is an asset-heavy industry with land as its core, and its equity value is highly correlated with the value of the land it holds. For insurance capital, the value of land held by listed developers can provide an endorsement of the value of their equity, which is more secure than other industries such as manufacturing.

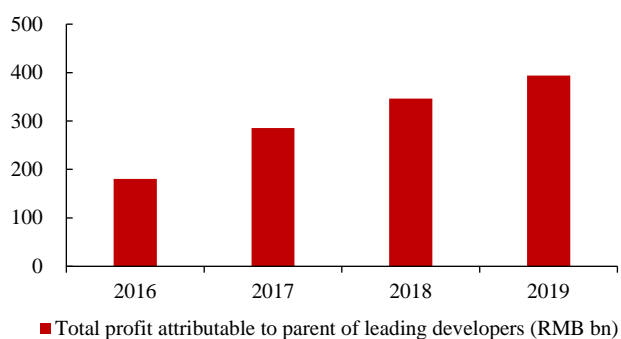
Growth: results growth trend of leading developers continues. In recent years, although the results growth of some leading developers has slowed down, and internal divisions have appeared, the overall growth trend has continued. Taking the CRIC top 30 developers in 2019 as a sample, their overall revenue and net profit attributable to parent have maintained growth in recent years. On the other hand, the sales of most leading developers have continued to grow in recent years. **Increasing sales will support the growth of revenue and profits of leading developers in the next few years, enabling insurance funds to benefit from investment.**

Chart 1: Revenue of leading developers has continued to grow in recent years



Source: Wind, CWSI Research

Chart 2: Net profit attributable to parent of leading developers has continued to grow in recent years



Source: Wind, CWSI Research

Results commitments of some developers when introducing insurance funds further ensured the stability of the investment income of insurance funds. Developers may make future results promises when introducing insurance funds, which can also provide certain incentives for the company's future development. When Yango introduced Taikang Life and Taikang Pension this time, it made a results commitment for the next 10 years. The longer-term results commitment demonstrates the company's confidence in future development and will continue to drive the growth of the company's performance, constituting a certain guarantee to the stability of investment return.

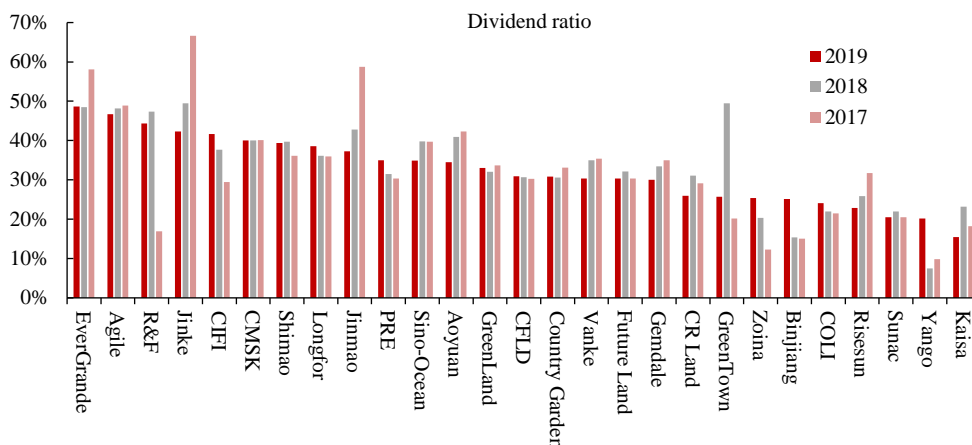
Table 3: When Yango introduced Taikang Life and Taikang Pension as shareholders, it made a commitment to its results in the next ten years

Time	Results promises	Corresponding YoY growth
2020-2024	Annual compound annual growth rate of the net profit attributable to parent shall not be less than 15% and cumulative net profit attributable to parent in the first 5 years shall not be less than RMB 34.1 bn (to reach the net profit attributable to parent in the first 5 years, the average annual growth rate should be higher than 18.13%)	-
2025	Net profit attributable to parent of RMB 10.172 bn	-
2026	Net profit attributable to parent of RMB 11.190 bn	10%
2027	Net profit attributable to parent of RMB 12.308 bn	10%
2028	Net profit attributable to parent of RMB 12.924 bn	5%
2029	Net profit attributable to parent of RMB 13.570 bn	5%

Source: Company announcement, CWSI Research

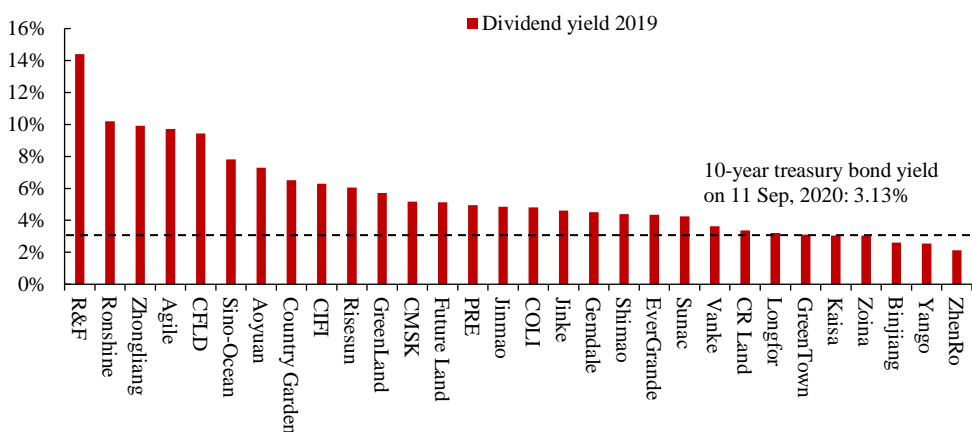
Considerable dividends: The dividend yields of leading listed developers are attractive. Current valuation of the real estate sector is significantly lower than that of other industries, operating results of leading developers have continued to grow in recent years, and the dividend ratio has also been relatively stable. Together, real estate stocks have an attractive dividend yield under the current share price performance. From 2017 to 2019, although leading developers have different dividend ratios due to differences in development strategies and other differences, but dividend ratios of most leading developers are relatively stable. Based on the closing price on Sep 11, 2020, among the CRIC top 30 developers in contracted sales in 2019, 24 have a higher dividend yield in 2019 than ChinaBond 10-year government bond on Sep 11, 2020, current dividend yields of many developers are attractive.

Chart 3: Most leading developers have relatively stable dividend ratios in recent years



Source: Wind, CWSI Research

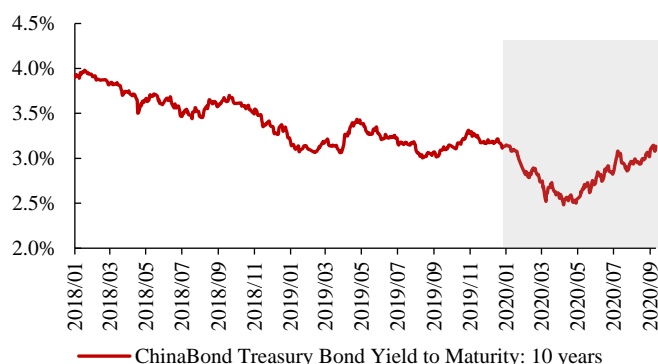
Chart 4: Leading developers' 2019 dividend yield is more attractive than 10-year treasury bond yield



Source: Wind, CWSI Research; note: till 2020/9/11

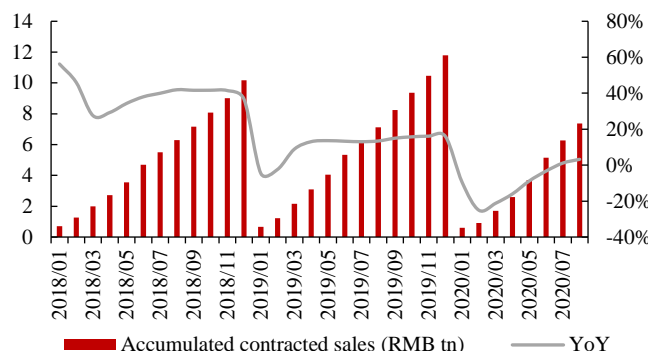
The resilience of real estate sales further demonstrates the cost-effectiveness of investment. In 2020H1, under the environment of increasing global economic uncertainty and sharp fluctuations in interest rates, the sales of leading developers are still picking up quickly. According to the data of EH Consulting, in Jul 2020, the cumulative sales growth rate of TOP100 developers has returned to positive, reflecting the strong resilience of the operation of leading developers. **While providing a stable rate of return, the resilience of real estate business operations and the robustness of results growth provide investors with better dividend growth and higher investment cost-effectiveness.**

Chart 5: Treasury bond yields fluctuate greatly in 2020H1



Source: Wind, CWSI Research

Chart 6: Cumulative sales growth rate of TOP100 developers in 2020 has returned to positive since July



Source: EH Consulting, CWSI Research

1.2.2 Insurance capital to developers: ease financing pressure, optimize shareholding structure, and strengthen business collaboration

Equity financing enriches financing channels and optimizes financing structure.

The introduction of shareholders can enable the company to obtain incremental funds while maintaining financial stability. Long-term insurance funds can also make the company's capital use more flexible.

Insurance capital with strong financial strength can further support the company's financing after the shareholding. In Mar 2020, Jinmao signed a financial services framework agreement with its shareholder Ping An that, Ping An will provide Jinmao with loan services of up to RMB 10 bn, deposit services of up to RMB 8 bn and financing factoring services of up to RMB 3 bn each year from 2020 to 2022. Although shareholder loans will increase the company's interest-bearing liabilities, the pressure to repay these debts is relatively small and will not cause excessive pressure on the company's overall debt situation. **As a long-term shareholder with strong financial strength, insurance capital will be able to help developers obtain capital in a healthier way.**

Table 4: Insurance shareholders are able to provide follow-up financing support to developers

Date	Company	Financial support from insurance shareholders
2020-03	Jinmao	Ping An will provide Jinmao with loan services with a ceiling of RMB 10 bn, deposit services with a ceiling of RMB 8 bn and financing factoring services with a ceiling of RMB 3 bn each year from 2020 to 2022.
2020-03	Grandjoy	Intended to apply to China Taiping and its subsidiaries for a credit line of no more than RMB 7.5 bn, and the interest rate of each loan under the line is not higher than the loan interest rate of financial institutions in the same period.
2020-07	CFLD	Proposed to conduct perpetual debt financing from Ping An Asset Management, the total amount will not exceed RMB 6 bn, and the investment period is unlimited.

Source: Company announcements, CWSI Research

Corporate governance continued to be optimized, and shareholder strength was significantly enhanced. The shareholding structure of some companies is relatively concentrated. After the introduction of insurance shareholders, the company's shareholding structure and corporate governance may become more market-oriented. At present, most of the insurance funds that have invested in listed developers are leading insurance companies, with huge asset management scale and high professionalism. After the introduction of the above companies as shareholders, the shareholder strength of listed real estate companies can be enhanced, and the corporate governance level may also be optimized.

Some developers have already cooperated with insurance shareholders in real estate business to realize an asset-light operating property operation model. In Aug 2019, CFLD planned to cooperate with major shareholder Ping An in a real estate projects that, after CFLD transferred the equity and debts of the project company to Ping An, CFLD would develop and construct commercial office and other properties on the commercial and financial land, and provide operation management services after the completion of development and construction. This cooperation enables CFLD to explore and land in the field of operating properties with a light asset model.

The overlap of business content and differences in investment preferences may bring opportunities for business synergy. In addition to traditional business properties such as commercial properties, insurance companies and developers are also expected to achieve business synergy in other diversified fields. Taking senior housing as an example, **in terms of business content**, some insurance companies have also participated in the development of senior housing when carrying out pension business. Developers may have more advantages in real estate development and related industrial chains, and insurance companies can also help developers providing relevant support in terms of pension insurance. **In terms of investment preferences**, the payback period of asset-heavy senior housing projects is much longer than that of residential development projects, which puts a certain pressure on developers; while for insurance funds that prefer long-term stable cash flow, it is a business with certain investment value. The introduction of insurance shareholders may in the future enable developers and insurance companies to form a certain degree of synergy in businesses such as senior housing.

At present, some insurance companies and developers have covered senior housing industry. Taikang Community, a subsidiary of Taikang Assets, has developed 19 elderly care communities in 19 key cities across the country, with a planned total GFA of 2.9 mn sqm, more than 25,000 living units and nearly 7,000 rehabilitation care bed, which can accommodate c. 44,000 elderly people. Taikang Community's operating model is usually to build a medical care community after acquiring land in the target area. For example, Taikang Life won the Suzhou Yangcheng Lake Peninsula land in Jul 2014. After building independent senior living units, secondary rehabilitation hospitals and other facilities, Suzhou Taikang Community·Wuyuan Phase I has started to operate since Nov 2019. Some developers are also involved in the elderly care

business. For example, Chun Xuan Mao, a subsidiary of Sino-Ocean, has covered many key cities across the country, and has three product lines including elderly apartments, elderly communities, and nursing homes. It has cooperated with Beijing Capital Land to build Beijing's first institutional elderly care facility land (A61) project, Chun Xuan Mao·Heyuan Elderly Community.

Chart 7: Taikang Community Suzhou project started operation after acquiring land for 5 years



Source: Company website, CWSI Research

Chart 8: Sino-Ocean built Beijing's first institutional facility senior housing land project



Source: Company website, CWSI Research

Table 5: Insurance shareholders can provide multi-faceted support to developers

Developers' demand	Support that insurance shareholders can provide
Financing needs	Insurance companies have sufficient low-cost funds
Enrich financing channels	Equity financing can be provided when buying shares, and financial support from the insurance side can be provided after shareholding
Equity stability	Insurance capital investment period is generally longer
Diversified business development	Insurance funds can accept a longer investment payback period, insurance companies are professional in areas such as senior caring and service, may be able to coordinate in operating properties development

Source: CWSI Research

1.3 Will insurance capital continue to invest in developers?

Insurance capital investment has boosted the valuation of real estate stocks. The positive impact of insurance investment on developers is also reflected in the valuation level. After introducing insurance shareholders, most developers have certain advantages over their peers in valuation.

Table 6: Insurance shareholders can provide multi-faceted support to developers

HK-listed	RIC	Total insurance capital holdings	PE-TTM	A-share	RIC	Total insurance capital holdings	PE-TTM
R&F	2777.HK	0.0%	3.3	Risesun	002146.SZ	1.1%	3.8
Zhongliang	2772.HK	0.0%	4.1	CFLD	600340.SH	25.2%	5.1
Ronshine	3301.HK	0.0%	4.4	Future Land	601155.SH	0.0%	5.6
Aoyuan	3883.HK	0.0%	4.7	GreenLand	600606.SH	0.0%	6.2
Agile	3383.HK	0.0%	4.9	PRE	600048.SH	6.2%	7.0
Sunac	1918.HK	0.0%	5.0	Zoina	000961.SZ	0.0%	7.1
Country Garden	2007.HK	8.9%	5.1	Gemdale	600383.SH	50.3%	7.1
COLI	0688.HK	0.0%	5.2	Jinke	000656.SZ	0.0%	7.8
Kaisa	1638.HK	25.2%	5.3	Vanke	000002.SZ	3.9%	8.2
Sino-Ocean	3377.HK	59.2%	6.0	Binjiang	002244.SZ	0.0%	8.4
CIFI	0884.HK	6.7%	6.9	CMSK	001979.SZ	4.3%	10.6
ZhenRo	6158.HK	0.0%	7.7				
CR Land	1109.HK	0.0%	8.2				
Jinmao	0817.HK	24.3%	8.5				
Shimao	0813.HK	0.0%	9.7				
Longfor	0960.HK	0.0%	12.3				

Source: Wind, CWSI Research; note: share holding data as of 2020/6/30, PE-TTM data as of 2020/9/11

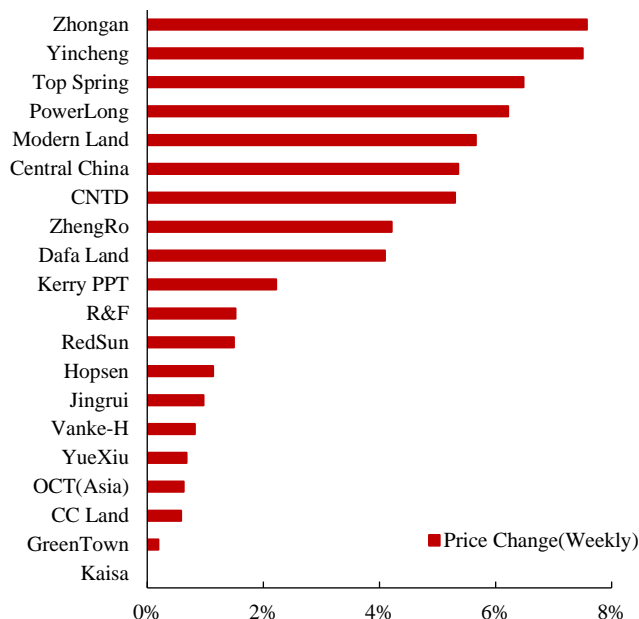
Attractive factors between insurance capital and developers may lead to further cooperation. The current low valuation, relatively stable growth and attractive dividend rate of the real estate sector are in line with the demand for long-term funds such as insurance funds for investment targets. The above factors may jointly cause insurance funds to continue to increase their holdings of leading developers. On the other hand, **financial pressure and business development needs may increase the willingness of developers to introduce insurance funds.** Under the normalization of the liquidity environment and the tightening of industry financing policies, the introduction of strong long-term investors such as insurance capital can enable developers to obtain capital in a healthier manner, and may help developers realize the expansion of diversified business. Therefore, developers also have incentives to introduce investors such as insurance capital. With strong willingness from both parties, insurance companies and developers may achieve further cooperation.

2. Sector Performance

2.1 Performance of developer sector

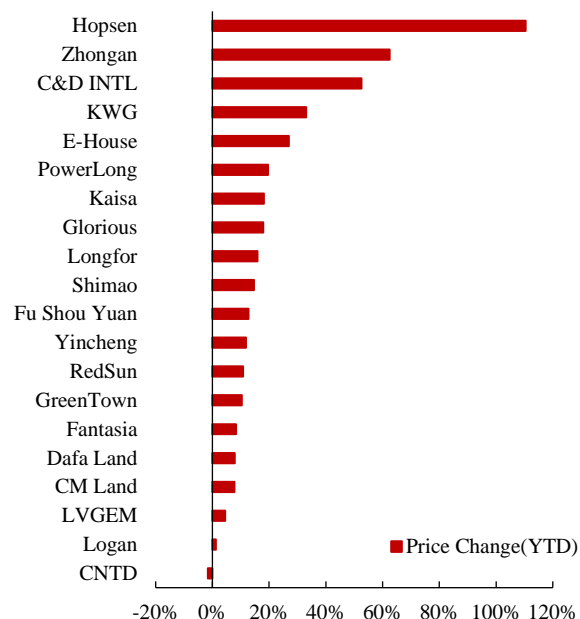
This week, Zhongan, Yincheng and Top Spring had larger price increase than peers. Hopsen, Zhongan and C&D INTL had better share price performance, YTD.

Chart 9: This week, Zhongan, Yincheng and Top Spring had larger price increase than peers



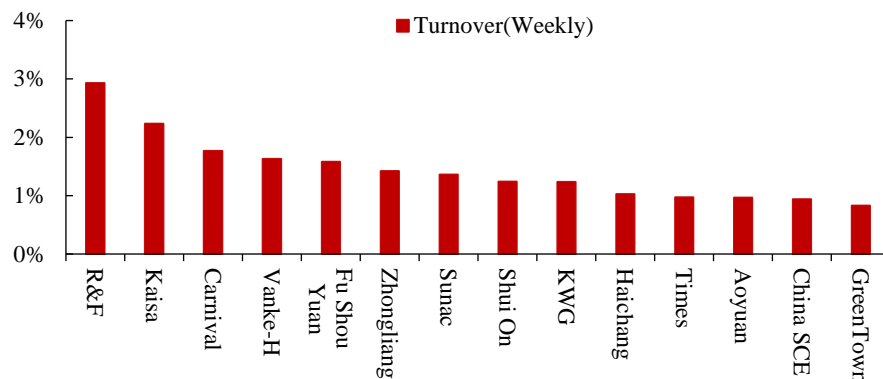
Source: Wind, CWSI Research

Chart 10: Hopsen, Zhongan and C&D INTL had better share price performance, YTD



Source: Wind, CWSI Research

Chart 11: R&F, Kaia and Carnival were most actively traded this week

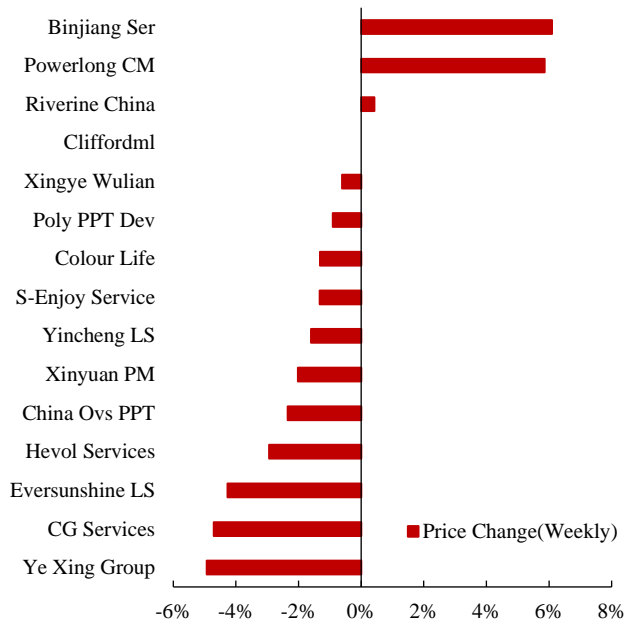


Source: Wind, CWSI Research

2.2 Performance of property service sector

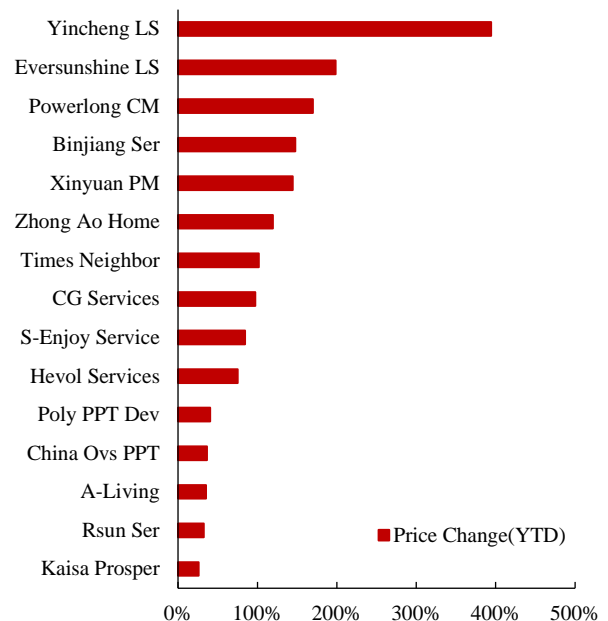
This week, Binjiang Ser, Powerlong CM and Riverine China had larger price increase than peers. Yincheng LS, Eversunshine LS and Powerlong CM had better share price performance YTD.

Chart 12: This week, Binjiang Ser, Powerlong CM and Riverine China had larger price increase than peers



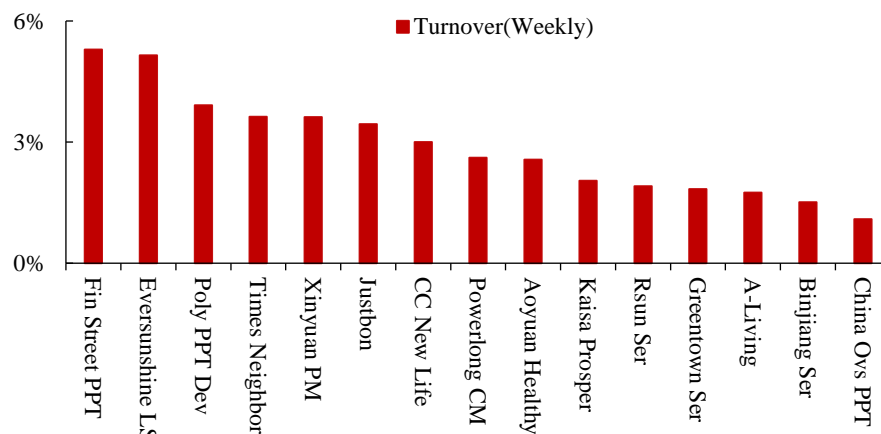
Source: Wind, CWSI Research

Chart 13: Yincheng LS, Eversunshine LS and Powerlong CM had better share price performance YTD



Source: Wind, CWSI Research

Chart 14: Fin Street PPT, Eversunshine LS and Poly PPT Dev were most actively traded this week



Source: Wind, CWSI Research

3. Major cities transaction performance

3.1 New house transaction data

Table 7: Major cities new house transactions volume decreased WoW 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	171,167	-27%	24%	998	46%	66%	312	26%	33%	4,560	-10%
Shanghai	334,000	-19%	13%	1,586	23%	24%	532	31%	16%	8,513	-12%
Guangzhou	221,631	-14%	46%	1,093	11%	58%	339	8%	58%	5,997	-3%
Shenzhen	132,324	64%	166%	413	18%	69%	183	13%	110%	2,590	6%
Tier 1	859,122	-13%	35%	4,090	24%	45%	1,366	21%	37%	21,660	-8%
Tier 2	2,730,361	-12%	2%	12,312	1%	20%	4,710	0%	13%	80,682	0%
Tier 3	2,165,022	-22%	-6%	11,149	-1%	15%	3,653	-12%	1%	77,160	-5%
Beijing	171,167	-27%	24%	998	46%	66%	312	26%	33%	4,560	-10%
Qingdao	306,581	-7%	-12%	1,472	-4%	12%	494	7%	-5%	10,103	9%
Jinan	212,966	0%	14%	958	-8%	21%	329	-11%	13%	7,434	8%
Dongying	49,053	-30%	33%	484	-31%	99%	85	-74%	28%	3,103	142%
PBR	739,766	-13%	4%	3,912	-1%	32%	1,220	-13%	10%	25,201	12%
Shanghai	334,000	-19%	13%	1,586	23%	24%	532	31%	16%	8,513	-12%
Nanjing	147,471	-39%	-27%	800	-18%	14%	367	-13%	0%	6,469	26%
Hangzhou	287,100	39%	9%	732	8%	3%	472	31%	27%	6,157	17%
Suzhou	205,488	4%	15%	845	7%	14%	342	19%	15%	7,799	11%
Wuxi	93,500	-66%	-48%	660	5%	-8%	94	-68%	-48%	4,073	-21%
Yangzhou	56,835	-13%	56%	272	-5%	142%	122	3%	110%	1,638	1%
Jiangyin	59,552	-43%	-8%	326	37%	37%	99	48%	3%	1,970	-4%
Wenzhou	200,678	-6%	-16%	1,010	14%	0%	296	-3%	-20%	8,046	-7%
Jinhua	20,759	-69%	-35%	197	-19%	52%	58	-27%	32%	1,613	24%
Changzhou	39,245	-63%	-39%	310	-4%	12%	102	3%	29%	2,162	-42%
Huaian	45,082	-51%	-58%	332	-26%	-22%	113	-38%	-37%	3,004	-15%
Lianyungang	144,009	-12%	-33%	639	-4%	-20%	251	9%	-37%	4,355	-3%
Shaoxing	102,406	118%	275%	257	19%	80%	135	-1%	173%	1,798	11%
Zhenjiang	171,034	-9%	3%	787	85%	11%	281	45%	17%	4,170	-22%
Jiaxing	46,295	-60%	-17%	332	-22%	80%	121	-46%	54%	2,241	17%
Wuhu	55,064	-37%	4%	278	19%	43%	119	46%	46%	1,438	4%
Yancheng	103,606	-26%	80%	464	30%	69%	104	-51%	-19%	2,478	-1%
Zhoushan	17,996	-41%	-4%	116	2%	9%	29	24%	-1%	915	10%
Chizhou	3,907	-75%	-93%	64	-21%	-49%	14	-46%	-83%	595	-38%
Ningbo	188,510	2%	53%	929	22%	47%	318	-7%	39%	5,508	1%
YRD	2,322,536	-22%	-5%	10,937	9%	15%	3,968	-3%	4%	74,942	-3%
Guangzhou	221,631	-14%	46%	1,093	11%	58%	339	8%	58%	5,997	-3%
Shenzhen	132,324	64%	166%	413	18%	69%	183	13%	110%	2,590	6%
Fuzhou	103,686	-18%	63%	394	85%	51%	178	148%	40%	1,609	-14%
Dongguan	141,017	-11%	24%	820	1%	62%	217	-12%	42%	4,377	24%
Quanzhou	49,464	23%	-27%	201	-46%	-28%	69	-42%	-35%	1,728	-30%
Putian	15,847	-49%	-24%	175	68%	35%	28	-18%	-23%	1,093	-23%
Huizhou	37,651	-56%	-41%	281	-37%	18%	97	-20%	2%	1,975	6%
Shaoguan	27,944	-21%	6%	152	5%	-3%	48	4%	-5%	1,174	6%
Foshan	260,929	-10%	30%	1,162	8%	14%	419	31%	42%	8,002	-17%
Jiangmen	23,095	-20%	51%	118	-22%	24%	36	-12%	87%	883	15%
PRD & Southern China	1,013,588	-11%	31%	4,808	3%	33%	1,613	9%	36%	29,429	-6%
Taian	89,147	-4%	18%	364	64%	57%	143	81%	30%	1,639	-8%

Northern China	89,147	-4%	18%	364	64%	57%	143	81%	30%	1,639	-8%
Wuhan	473,384	0%	-13%	2,066	-7%	-3%	752	9%	-7%	10,285	-32%
Yueyang	26,723	-37%	-40%	181	-46%	-5%	48	-42%	-33%	1,573	19%
Baoji	64,447	-4%	6%	340	-24%	0%	103	-25%	18%	2,309	7%
Ganzhou	167,714	2%	-2%	739	-14%	7%	268	-28%	-5%	5,583	-8%
Central China	732,268	-2%	-11%	3,327	-14%	-1%	1,170	-9%	-6%	19,750	-20%
Chengdu	508,178	-1%	52%	2,219	1%	50%	937	-11%	69%	15,277	14%
Liuzhou	73,576	-56%	-47%	610	35%	14%	140	20%	-30%	4,240	2%
Nanning	275,446	-27%	-13%	1,373	-1%	34%	538	14%	-5%	9,023	-7%
Western China	857,199	-19%	9%	4,202	4%	38%	1,616	-2%	22%	28,541	5%
Total	5,754,505	-16%	3%	27,551	3%	21%	9,729	-2%	11%	179,502	-3%
Num. of cities Up		9	22		23	33		21	26		22
Num. of cities Down		33	20		19	9		21	16		20

Source: Local governments, CWSI Research; Note: Till 2020/9/11

Table 8: Major cities inventory period was 10.3 months this week

City	Inventory (sqm 000)	wow	yoy	Inventory period	Last week	wow	yoy
Beijing	11,737	1%	34%	11.8	11.8	0%	-19%
Shanghai	7,341	3%	-6%	4.6	4.8	-3%	-24%
Guangzhou	8,184	1%	4%	7.5	7.5	0%	-34%
Shenzhen	2,439	0%	19%	5.9	6.4	-8%	-30%
Tier 1 Average		2%	13%	7.4	7.6	-3%	-27%
Hangzhou	3,681	3%	44%	5.0	4.9	3%	40%
Nanjing	5,986	-2%	29%	7.5	6.9	9%	14%
Suzhou	6,910	0%	38%	8.2	8.4	-3%	22%
Fuzhou	6,500	2%	82%	16.5	19.0	-13%	21%
Jiangyin	4,484	-1%	16%	13.7	14.5	-5%	-16%
Wenzhou	11,263	1%	25%	11.2	10.8	3%	25%
Quanzhou	7,116	-1%	6%	35.4	30.8	15%	47%
Ningbo	2,651	-1%	6%	2.9	2.9	-2%	-28%
Dongying	1,682	-2%	14%	3.5	2.6	36%	-43%
Overall Average		0%	24%	10.3	10.1	2%	-2%

Source: Local governments, CWSI Research; Note: Till 2020/9/11; Average WoW and average YoY are defined as average change of each city

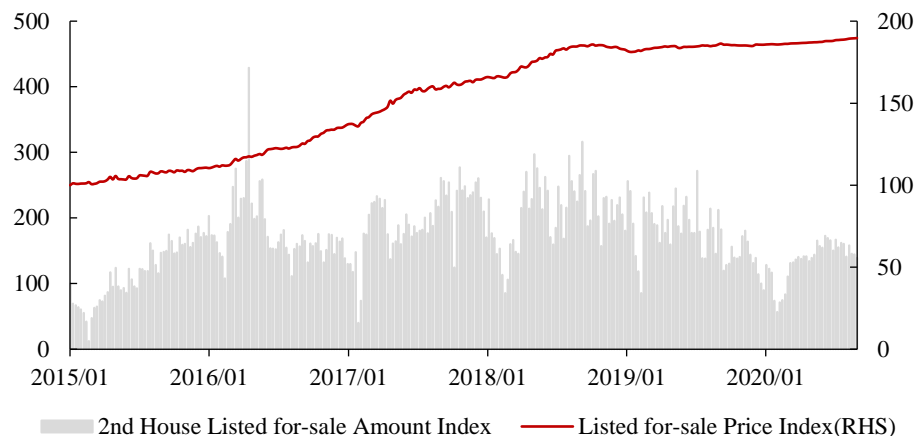
3.2 Second-hand house transaction and price data

Table 9: Major cities Second-hand house transaction volume, Jinhua 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	336,995	-8%	31%	1,533	4%	41%	568	16%	36%	9,418	7%
Shenzhen	201,539	22%	37%	918	-10%	62%	330	-15%	40%	6,100	57%
Hangzhou	131,179	-10%	62%	498	-20%	34%	204	-5%	64%	3,875	10%
Nanjing	217,804	2%	0%	1,055	-9%	20%	387	1%	11%	6,832	40%
Chengdu	98,670	14%	-52%	420	-5%	-50%	165	2%	-53%	3,547	-54%
Qingdao	125,123	7%	17%	564	-3%	29%	209	3%	16%	3,688	17%
Wuxi	124,832	-37%	-14%	744	14%	19%	194	-15%	-19%	4,503	7%
Suzhou	122,355	8%	-42%	568	-6%	-29%	212	1%	-36%	4,028	-47%
Xiamen	71,390	17%	15%	340	-10%	39%	113	-13%	14%	2,332	-16%
Yangzhou	20,480	-6%	-25%	103	-10%	2%	38	-12%	-17%	735	-5%
Yueyang	12,589	-24%	-25%	73	-11%	1%	26	-10%	-10%	464	-12%
Nanning	57,277	-9%	-23%	297	0%	-19%	103	-3%	-25%	1,848	-14%
Foshan	169,487	10%	49%	741	0%	57%	279	3%	42%	4,072	-5%
Jinhua	19,086	-54%	-33%	183	-30%	28%	52	-41%	-10%	1,782	71%
Jiangmen	13,068	-30%	157%	81	-18%	139%	26	-23%	238%	560	-15%
Total	1,721,875	-4%	2%	8,118	-5%	15%	2,907	-2%	4%	53,784	-4%
Num. of cities Up		7	8		3	12		6	8		7
Num. of cities Down		8	7		12	3		9	7		8

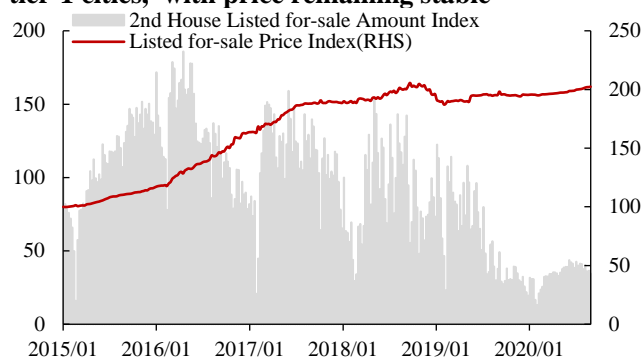
Source: Local governments, CWSI Research; Note: Till 2020/9/11

Chart 15: 2nd house listed for-sale price index rose slightly recently



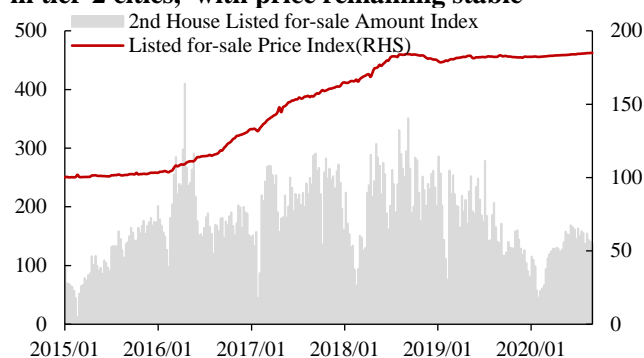
Source: Local Government, CWSI Research; Note: Till 2020/8/30

Chart 16: 2nd house listed for-sale amount index rose in tier-1 cities, with price remaining stable



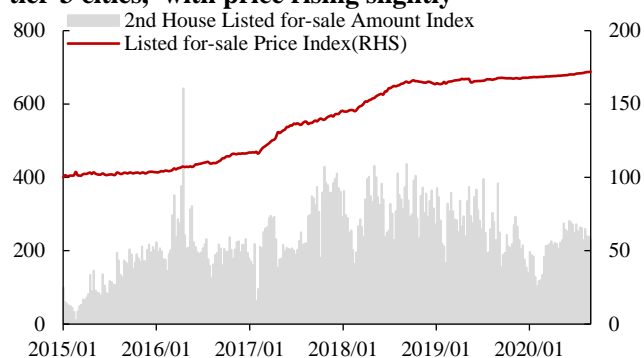
Source: Local Government, CWSI Research; Note: Till 2020/8/30

Chart 17: 2nd house listed for sale amount index rose in tier-2 cities, with price remaining stable



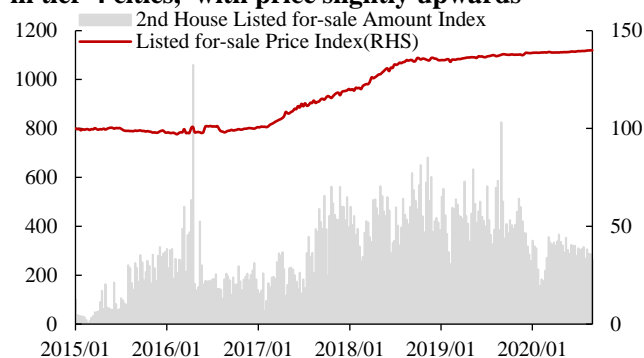
Source: Local Government, CWSI Research; Note: Till 2020/8/30

Chart 18: 2nd house listed for-sale amount index rose in tier-3 cities, with price rising slightly



Source: Local Government, CWSI Research; Note: Till 2020/8/30

Chart 19: 2nd house listed for-sale amount index rose in tier-4 cities, with price slightly upwards



Source: Local Government, CWSI Research; Note: Till 2020/8/30

4. Important Policies and News

4.1 Important Industry Policies News This Week

Table 10: Important Industry Policies News This Week: Shenyang increased the down payment ratio for the second set of commercial housing to 50%; houses can only be listed and traded at least 4 years after obtaining the real estate certificate in Changzhou

Date	Region / Institution	Summary
2020-09-07	BCIRC	Will strictly abide by the positioning of real estate, standardize the real estate loan business, prevent excessive financialization of the real estate market, and implement the requirements of the new asset management regulations to prevent shadow banking from rebounding. Will firmly guard against illegal financial activities by cracking down on illegal financial activities and hold the bottom line of preventing systemic financial risks.
2020-09-07	Shenyang	Strictly implement the requirement that the down payment ratio for the first set of commercial housing purchased by individuals is not less than 30%, and the down payment ratio for the second set of commercial housing is increased to 50%; the down payment must be paid in one lump sum, and installment payments and “down payment loans” are prohibited; the tax exemption period has been increased from 2 years to 5 years.
2020-09-09	Tangshan	Proposed to establish and improve the sharing exchange and inquiry mechanism of information such as identity household registration, marriage registration, social security, housing transaction registration, commercial housing loans, etc., to provide support for the verification and verification of housing provident fund payment, withdrawal, and loan information.
2020-09-10	CSRC	Proposed that financial asset exchanges shall not conduct business cooperation in violation of regulations with Internet financial companies such as online lending platforms and real estate companies that have national restrictions or specific regulatory requirements.
2020-09-10	Nanjing	The applicable objects of the Nanjing Talent Housing Measures are divided into six categories of talents: A, B, C, D, E, and F, and the scope of the applicable objects of talent housing is relaxed.
2020-09-11	Shenzhen	People who remarry will no longer retrospectively determine the number of family real estate units before their divorce, and are calculated based on the current number of family real estate units. As long as the current family meets the qualifications for buying a house in Shenzhen, they can purchase a house.
2020-09-11	Henan	Strive to achieve an increase in the urbanization rate of resident population by about 1.5 pct throughout the year, and the migration of agricultural population to settle down in the city by about 2 mn, and clearly eliminate the Hukou restrictions of other cities, counties and provincial cities outside the central area of Zhengzhou.
2020-09-11	Changzhou	Houses can only be listed and traded at least 4 years after obtaining the real estate certificate; for resident families who already own a house and the corresponding house purchase loan has not been settled, when applying for commercial personal housing loan again, the minimum down payment ratio shall be adjusted to not below 60%.

Source: Wind, Government website, CWSI Research

4.2 Key sales data announced this week

Table 11: Key sales data announced this week

Company	RIC	Jan-Aug contracted sales		Jan-Aug contracted GFA		Aug contracted sales		Aug contracted GFA	
		(RMB bn)	YoY	(000 sqm)	YoY	(RMB bn)	YoY	(000 sqm)	YoY
PRE	600048.SH	317.1	2.3%	20966	3.7%	43.9	44.9%	2822	42.6%
CR Land	1109.HK	162.0	5.6%	8706	5.3%	27.2	24.2%	1252	2.7%
CMSK	001979.SZ	160.4	15.7%	7119	2.4%	26.8	48.5%	1104	18.7%
Longfor	0960.HK	156.3	5.9%	9221	2.6%	24.2	10.1%	1441	9.1%
Gemdale	600383.SH	144.2	23.5%	6994	21.6%	21.7	31.6%	1075	39.1%
Jinke	000656.SZ	123.9	-	12010	-	19.1	-	1800	-
Logan	3380.HK	70.5	20.4%	4408	-	13.0	64.0%	674	-
Yuzhou	1628.HK	65.4	60.9%	3986	48.0%	11.5	88.5%	700	70.6%
Sino-Ocean	3377.HK	60.0	20.0%	3162	14.0%	9.1	21.0%	493	20.0%
BJ Capital Development	600376.SH	59.4	1.1%	2077	1.3%	7.2	5.4%	270	14.0%
China SCE	1966.HK	57.0	18.4%	4050	4.3%	9.2	55.5%	696	41.7%
Kaisa	1638.HK	54.9	24.0%	3206	24.8%	9.4	119.6%	526	124.2%
PowerLong	1238.HK	46.2	15.7%	3015	23.6%	7.2	47.6%	467	56.8%
Poly PPT	0119.HK	28.6	7.9%	1563	6.8%	-	-	-	-
Sunshine 100	2608.HK	4.2	20.4%	355	14.9%	0.4	50.6%	35	35.8%

Source: Wind, company announcements, CWSI Research; note: Logan by attributable scale

4.3 Company news and announcements

Table 12: Company news and announcements: Sino-Ocean proposed to spin-off Sino-Ocean Services Holdings Limited and list it on the main board of HKEX; Taikang Life Insurance and Taikang Pension have acquired 13.53% of Yango's shares through an agreement transfer

Date	Company	Summary
2020-09-07	Gemdale	In August 2020, the company obtained 3 real estate projects in Kunming, Wenzhou and Shenzhen.
2020-09-07	Sino-Ocean	Proposed to spin-off Sino-Ocean Services Holdings Limited and list it on the main board of HKEX.
2020-09-07	Times	Mr. Niu Jimin will resign as the company's CFO, and Mr. Huang Sining will serve as the company's CFO.
2020-09-08	Sinicdc	Mr. Chen Kai will resign as the company's executive director, co-chairman and CEO, and Mr. Zhang Yuanlin will serve as the company's CEO and be transferred to the chairman of the company.
2020-09-09	Fantasia	A wholly-owned subsidiary issued RMB 2.5 bn 3-year 7.5% domestic corporate bond.
2020-09-09	CMSK	In August 2020, the company obtained 3 real estate projects in Taicang, Dalian and Changsha.
2020-09-09	GreenLand	In August 2020, the company obtained 6 real estate projects in Yuncheng, Wuhan, Binzhou, Yingtan, Xi'an and Chongqing.
2020-09-09	BJ Capital Development	In August 2020, the company obtained 4 real estate projects in Beijing and Taiyuan.
2020-09-09	Yango	Taikang Life Insurance and Taikang Pension have acquired 13.53% of the company's shares from Shanghai Jiawen, the company's second largest shareholder, through an agreement transfer.
2020-09-10	PRE	In August 2020, the company obtained 19 real estate projects in Guangzhou, Dongguan, Jiangmen and other places.
2020-09-10	Binjiang	The company's 5-year RMB 600 mn "17 Binfang 01" coupon rate was reduced from 5.80% to 3.99%.
2020-09-10	Modern Land	The company purchased outstanding 7.95% senior notes due in 2021.
2020-09-10	Yango	The company's 5-year RMB 1.3 bn "16 Yangcheng 02" coupon rate was lowered from 7.28% to 6.30%.
2020-09-11	CR Land	In August 2020, the company obtained 6 real estate projects in Changsha, Chongqing, Xiamen, Guangzhou and Haikou.

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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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%.

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