

This Week in China

C-REITs Research III: Factors affecting REITs share price

Topic of the week:

Macro environment and interest rates: The prices of overseas REITs are significantly negatively correlated with interest rates when the external environment is relatively stable. From 2010 to 2019, the FTSE NAREIT price index and the TSE REIT index were significantly negatively correlated with the interest rates of 10-year government bonds in the United States and Japan. In the context of a relatively stable external environment, the discount rate in the DCF model may have a greater impact on the price of REITs. When the external environment changes greatly, the short-term operation of REITs' underlying assets will be greatly impacted. At this time, the impact of future cash flow in the DCF model will be greater; at the same time, interest rates usually fall, so the direction of REITs share price change is similar to in the 10-year Treasury bond yield.

REIT sectors: growth, cash flow stability, etc. affect the price changes of different REIT sectors. From 2010 to 2019, the price performance of US infrastructure and industrial REITs was significantly better than that of office, residential, and retail REITs. The above phenomenon may be due to the difference in the growth of different sectors. In 2020, the retail and other REITs whose cash flow stability is more affected had larger price decline and slower recovery, while the infrastructure and industrial sectors will perform relatively better. The growth and cash flow stability of REIT sectors are important factors that affect the price of REITs in different macro environments.

Underlying asset value: liquidity and investor differences cause the price of REITs to change faster than the underlying assets. The price of REITs should reflect the value of the underlying assets, so the factors that affect the fundamentals of the underlying assets will also affect the price of REITs. Due to differences in liquidity and investor professionalism, the price of REITs often fluctuates faster than the underlying assets: During the 2008 financial crisis and the 2020 COVID-19 pandemic, the price index of US Equity residential REITs was ahead of new housing sales when it fell and rose. The difference in investment points between the two types of C-REITs is therefore different. The value of the underlying assets of the management-right REITs will decrease with the shortening of the remaining operating period, and the income may mainly come from distribution; for the property-right REITs, more attention should be paid to the price gains driven by the expected increase in NOI and the expected asset appreciation.

Data points:

As of Jun 11th, new house transaction area in 42 major cities this week decreased 9% WoW, and cumulative transaction area in 2021 increased 52% YoY.

As of Jun 11th, saleable area (inventory) in 13 major cities this week decreased 1% WoW; average inventory period was 24.0 months, average WoW change was 16%.

As of Jun 11th, second-hand housing transactions in 15 major cities this week decreased 1% WoW, and cumulative transaction area in 2020 increased 34% YoY.

Suggestion:

Some cities gradually refined the land supply rules recently, Chengdu will restrict “red line” developers from participating in auctions, and Nanchang will strictly restrict affiliated companies from participating in land auctions. The financial and resource advantages of developers will be further revealed. Zhejiang has received policy support to build a demonstration zone for prosperity, and the economic growth trend of developed regions is expected to continue to improve, developers with a deeper coverage in these regions are also expected to continue to benefit. Maintain “Overweight” rating.

Overweight
(Maintain)

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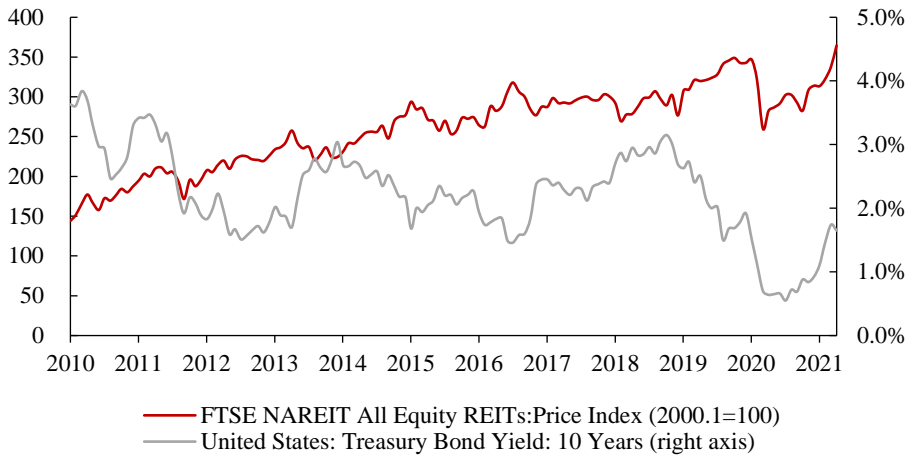
1. C-REITs Research III: Factors affecting REITs share price

In the previous report, we separately studied the investment characteristics and investment value analysis framework of public REITs (see report “C-REITs : Investment value and analysis” for details), the differences between C-REITs and overseas market in terms of regulatory regimes, and the return features and income levels of C-REITs (see report “C-REITs Research II: Regulatory regime differences and return features” for details). This week, we continue to analyze from the perspective of REITs price changes.

1.1 Relationship between REITs share price and the macro environment and liquidity

When the external environment is relatively stable, the price of US equity REITs and interest rates show a significant negative correlation. Like bonds and equity assets, the price of REITs is also affected by the macro environment. For example, the FTSE NAREIT equity REITs price index experienced a sharp decline during the 2008 financial crisis and the early stage of the pandemic in 2020, and has continued to rise for more than ten years. In the past decade, except during the financial crisis and the pandemic, the FTSE NAREIT price index has shown a significant negative correlation with the yield of 10-year US Treasury bonds. This reflects to a certain extent that changes in the price of US REITs have strong bond attributes. In the context of a relatively stable external environment, the discount rate in the DCF model may have a greater impact on the price of REITs. When the external environment changes significantly, the short-term operation of REITs’ underlying assets will be greatly impacted. At this time, the impact of future cash flow in the DCF model will be greater. Therefore, the price of REITs and the 10-year Treasury bond yield changed in a similar direction.

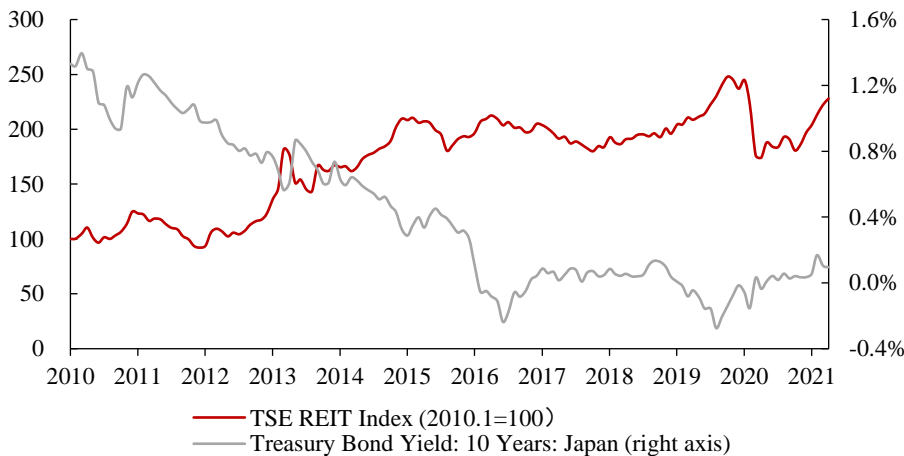
Chart 1: From 2010 to 2019, the price of U.S. REITs has a certain negative correlation with the yield of 10-year Treasury bonds



Source: Wind, NAREIT, CWSI Research

The relationship between the Japanese REITs index and the 10-year Treasury bond interest rate is similar to the situation in the United States. Japan is the largest REITs market in Asia. From 2010 to 2019, the trend of the TSE REIT index and the interest rate of Japanese 10-year government bonds also showed a negative correlation. Since interest rates in Japan are already extremely low and there is limited room for downward adjustment after the pandemic, the relationship between the TSE REIT index and the yield of government bonds after 2021 is not obvious.

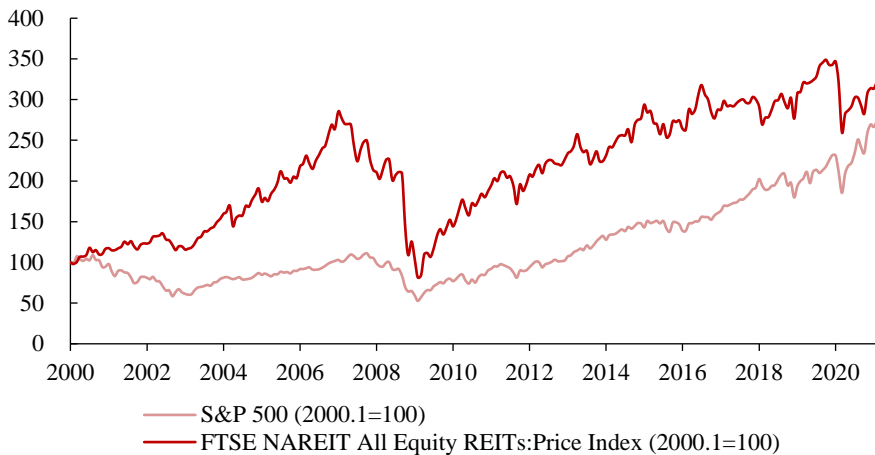
Chart 2: Japan’s REITs index showed a certain negative correlation with interest rates



Source: Bloomberg, Wind, CWSI Research

When impacted by the external environment, the price change of REITs is greater than that of equity assets. Take the United States as an example. When subjected to external shocks, the asset prices of REITs fluctuate more than the S&P 500, which includes multiple industries. For example, during the financial crisis in 2008 and the early stage of the pandemic in 2020, FTSE NAREIT equity REITs price index fell significantly more than the S&P 500. One of the reasons is that the underlying assets of REITs are concentrated in real estate, while S&P 500 includes more industries and is more decentralized. On the other hand, rent levels usually fall due to external shocks, leading to a decline in the value of REITs' underlying assets, which also allows some REITs to get more asset acquisition opportunities, and drives the recovery of REITs prices.

Chart 3: The price index of U.S. equity REITs fluctuates more than the S&P 500

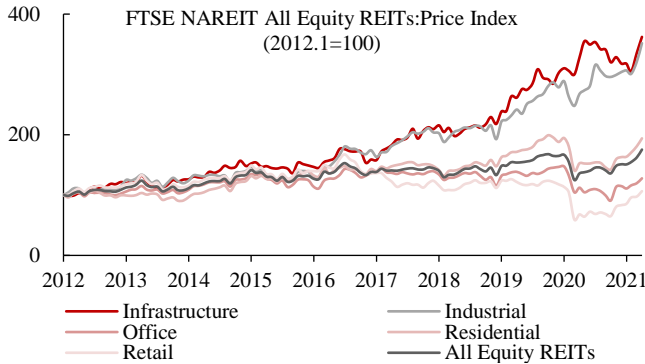


Source: Wind, NAREIT, CWSI Research

The growth and cash flow stability of REITs sectors affect the prices of corresponding REITs. The price performance of various asset classes within REITs has shown obvious divergence in recent years. In the past ten years, the price trend of REITs with traditional commercial real estate such as office buildings, residential buildings, and retail as the underlying assets is similar to the aforementioned overall price trend. Since 2017, US infrastructure REITs (fiber cables, wireless infrastructure, telecommunications towers, energy pipelines, etc.), industrial REITs (industrial facilities, warehouses and distribution centers, etc.) in terms of price performance is significantly better than office buildings, residential and retail REITs. The above phenomenon may be due to the difference in the growth of different types of underlying assets. For example, industrial REITs benefit from the demand for logistics space under the development trend of the Internet, and infrastructure REITs also benefit from the development of digital economy such as 5G construction; however, the same-store NOI of residential and retail REITs has shown a downward trend in the past decade. Under the impact of the pandemic in 2020, the retail and other REITs whose cash flow stability is more affected had the largest decline in prices and slower recovery, while the price

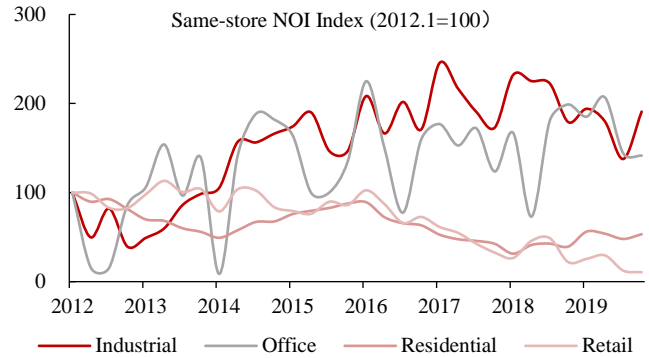
performances of infrastructure, industrial and other sectors are relatively better. From the perspective of the difference in price trends, the growth of underlying asset classes and the stability of cash flow are important factors that affect the price changes of REITs under different macro environments.

Chart 4: Factors including the growth of underlying asset classes led to differences in the price performance of REITs



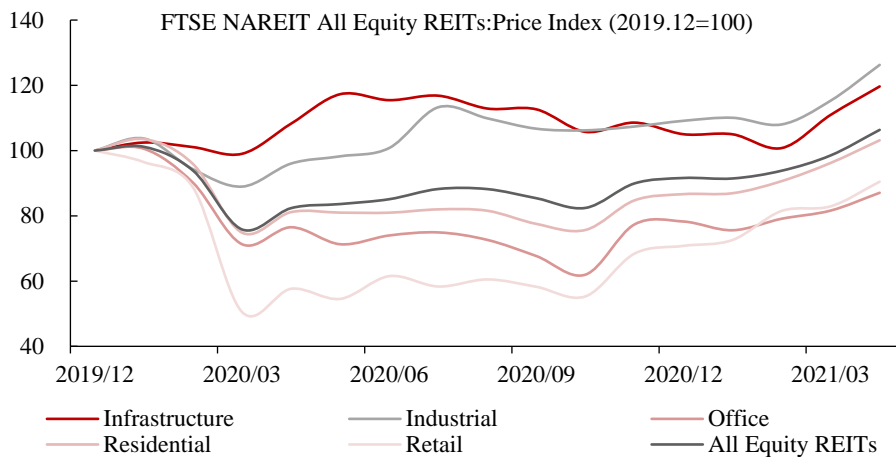
Source: NAREIT, CWSI Research

Chart 5: The same-store NOI of residential and retail REITs has continued to decline in the past ten years



Source: NAREIT, CWSI Research

Chart 6: Under external shocks, the stability of the cash flow of underlying assets also has an impact on the price of REITs



Source: NAREIT, CWSI Research

Macro liquidity may also have an important impact on the price changes of C-REITs, and the differences in the growth and cash flow stability of the industries in which the underlying assets are located will also drive the price changes of REITs. From the perspective of REITs as an asset class, the overall price changes of C-REITs may also be affected to a greater extent by the macro liquidity reflected by interest rates. From the perspective of the underlying asset class, the income sources of

the 9 C-REITs are quite different, and the fundamentals of the industry and the impact of the macro economy are also different. For example, management rights' income mainly comes from tolls, sewage treatment fees, etc., and the growth of the industry is relatively limited, so its liquidity and price performance may be more affected by factors such as interest rates; the underlying assets of property rights REITs are in industries including high-standard warehouses with strong demand and tight supply, may have relatively more room for growth.

Table 1: The revenue sources of the first batch of C-REITs are relatively concentrated, and the growth of the industries are different

| REIT | Infrastructure project type | Underlying asset type | Main source of income | |
|---------------------------------------|-----------------------------|-----------------------|--|---------------------|
| | | | Segment | % of revenue (2020) |
| Yantian Port REIT | Property right | Warehouse Logistics | Rent | 79.1% |
| CICC GLP REIT | Property right | Warehouse Logistics | Rent | 94.5% |
| Soochow-Suzhou Industrial Park REIT | Property right | Industrial Park | Rent | 86%+ |
| Shekou Industrial Park | Property right | Industrial Park | Rent | 87.6% |
| Zhangjiang Everbright Park REIT | Property right | Industrial Park | Rent | 81.6% |
| Shougang Green Energy | Management right | Pollution control | Power generation and domestic waste disposal | 98.3% |
| Fullgoal-BJCapital water REIT | Management right | Municipal facilities | Sewage treatment | 94.7% |
| Guangzhou Guanghe | Management right | Toll road | Toll income | 99.6% |
| Shanghai-Hangzhou-Ningbo Highway REIT | Management right | Toll road | Toll income | 98.9% |

Source: Prospectus, CWSI Research

In addition, the arrangement of the lock-in period may have a certain short-term impact on the liquidity of REITs and asset prices. According to the “Guidelines for Infrastructure Funds”, C-REITs have set a lock-in period for the strategic placement part. The lock-in period of 20% of the total REIT shares issued by the original equity holder shall be no less than 60 months from the date of listing, and the portion exceeding 20% shall be no less than 36 months; the lock-in period of strategic placement shares held by professional institutional investors shall be no less than 12 months. The end of lock-in period may have a certain impact on the price of REITs.

Table 2: Currently, C-REITs imposes a 12-60 month lock-in period limit for investors in the strategic placement stage

| Investors | Lock-in period | |
|---|---|---|
| Original stakeholder (strategic placement) | 20% of the total amount of fund shares sold | Not less than 60 months from the date of listing |
| | More than 20% | Not less than 36 months from the date of listing |
| Professional institutional investors (strategic placement) | No less than 12 months from the date of listing | |

Source: “Guidelines for Infrastructure Funds”, CWSI Research

Shares with lock-in period accounted for more than 50% of total shares of the first batch of C-REITs, and the strategic placement proportion, structure and lock-in period arrangements were quite different. Judging from the actual placement of the first batch of C-REITs, the strategic placement ratios of 9 REITs all exceed 50%, and they are the main investors for the share of REITs. Among them, Fullgoal-BJCapital water REIT has arranged the original equity holder’s shares (accounting for 51.0%) to have the same lock-in period as the management rights of the underlying asset project, so it will not affect the share supply of REITs. The other 8 orders all set a 60-month restriction on the sale of 20% of the shares held by the original equity holders. In addition to Fullgoal-BJCapital water REIT, the original equity holders of 5 REITs account for more than 20% of the total shares, and a 36-month lock-in period will be set, with the proportions ranging from 12.0% to 38.9%. The proportion of shares held by professional institutional investors through strategic placements ranges from 15.4% to 54.0%, and the lock-in period is arranged for 12 months. The first batch of C-REITs’ strategic placement proportion and internal structure are quite different, so the price changes of each REITs may also be different when the lock-in period is approaching.

Table 3: The strategic placement proportion and structure of the first batch of C-REITs are quite different

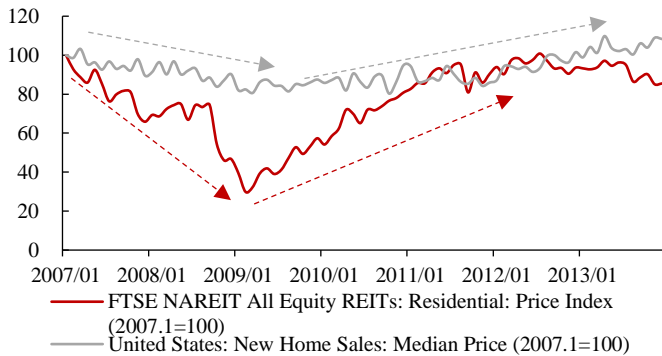
| REIT | Total scale (RMB 100 mn) | Lock-in Period (% of total shares) | | | | % of strategic placement shares |
|---------------------------------------|--------------------------------|------------------------------------|-----------|-----------|--------|---------------------------------------|
| | | 60 months | 36 months | 12 months | Others | |
| Zhangjiang Everbright Park REIT | 15.0 | 20% | 0.0% | 35.3% | - | 55.3% |
| Yantian Port REIT | 18.4 | 20% | 0.0% | 40.0% | - | 60.0% |
| Soochow-Suzhou Industrial Park REIT | 34.9 | 20% | 20.0% | 20.0% | - | 60.0% |
| Shougang Green Energy | 13.4 | 20% | 20.0% | 20.0% | - | 60.0% |
| Shekou Industrial Park | 20.8 | 20% | 12.0% | 33.0% | - | 65.0% |
| CICC GLP REIT | 58.4 | 20% | 0.0% | 52.0% | - | 72.0% |
| Shanghai-Hangzhou-Ningbo Highway REIT | 43.6 | 20% | 38.9% | 15.4% | - | 74.3% |
| Fullgoal-BJCapital water REIT | 18.5 | - | - | 25.0% | 51.0% | 76.0% |
| Guangzhou Guanghe | 91.1 | 20% | 31.0% | 28.0% | - | 79.0% |

Source: REITs announcements, CWSI Research; note: the lock-in period of the original owner of the Fullgoal-BJCapital water REIT is the same as the management period of the Shenzhen infrastructure project and the Hefei infrastructure project (22 years and 29 years respectively)

1.2 Relationship between REITs share price and underlying asset value

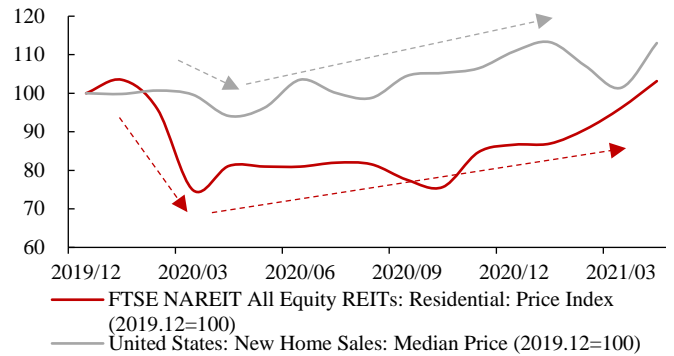
The price of REITs is related to the value of the underlying assets, and liquidity and investor differences cause the price of REITs to change faster than the underlying assets. From the experience of overseas markets, the price of REITs is related to the value of the underlying assets, and the price changes of REITs are ahead of the changes in real estate prices. Taking the US residential REITs market as an example, during the 2008 financial crisis and the 2020 pandemic, the price index of equity REITs was ahead of the changes in the sales price of newly built homes when both falling and rising. Since the liquidity of REITs is higher than that of real estate, and investors are relatively more specialized, the price of REITs reacts to macroeconomic and industry policy expectations faster than their underlying assets.

Chart 7: The price changes of residential REITs are ahead of housing sales prices



Source: Wind, NAREIT, CWSI Research

Chart 8: Differences in liquidity and investors cause the price of REITs to change faster



Source: Wind, NAREIT, CWSI Research

The underlying assets of the first batch of C-REITs are valued using the income method, and the value of the underlying assets is affected by factors including future cash flow, discount rate, and forecast period. According to the evaluation report in the prospectus of the first batch of C-REITs, the underlying assets of the 9 REITs are all valued using the income method (discounted into the present value based on future cash flows and capitalization rates). The reasons also include that other major valuation methods are not applicable to the underlying assets of C-REITs, such as the cost method (cost input cannot reflect its value, especially the management-right assets), market comparison method (some underlying assets are not comparable or there is a lack of comparable market transaction data; among the 9 REITs, only Zhangjiang Everbright Park REIT used the comparative method as the secondary valuation method for the underlying assets) and so on. For example, calculation model of Guangzhou Guanghe's underlying asset value is:

$$P = \sum_{i=1}^n \frac{NCF_i}{(1+r)^i} + \text{net value of surplus assets and liabilities}$$

among them:

P = Asset value

NCF_i : Detailed forecast of the future pre-tax cash flow of the project in year i of the period;

r : Pre-tax discount rate, using the weighted average cost of capital before income tax (WACCBT);

n : Detailed forecast period, relying on the management right period approved by the government;

i: the *i*-th year of the detailed forecast period;

Net value of surplus assets and liabilities: income tax payable that is included in the scope of the asset group but not in the scope of future cash flow calculations.

The correlation between the price of REITs and the value of the underlying assets also reflects the difference in investment points between the two types of C-REITs. The value of the underlying assets of management-right C-REITs may decrease as the remaining management period shortens (*n* decreases and the final value is 0). In theory, the price of the corresponding REITs will also decrease accordingly; therefore, the cash flow (NCF_i) stability, and in turn the stability of the distribution of income may be an aspect that needs more attention for management-right REITs, and the diversion of new roads, sewage treatment capacity and demand are important influencing factors. For the first batch of property-right REITs, the increase in REITs prices may be a more attractive source of income, because the value of their underlying assets is relatively more likely to increase; the increase in rent and occupancy rates, operating efficiency, lower costs and expansion, etc. are expected to increase NCF_i and its value, thereby boosting its price performance.

It is worth noting that C-REITs market perfection, market sentiment, capital environment, etc. may affect the reflection of REITs prices on the value of underlying assets. As REITs are investment products traded on the open market, many factors such as market sentiment and funding environment will cause their prices to deviate from the value of the underlying assets. C-REITs market is still in the early stage, and the price changes of REITs may deviate from the value of the underlying assets to a certain extent.

1.3 Summary: Factors affecting REITs share price

When the external environment is relatively stable, the prices of overseas REITs and interest rates are significantly negatively correlated. From 2010 to 2019, the FTSE NAREIT price index and the TSE REIT index were significantly negatively correlated with the interest rates of 10-year government bonds in the United States and Japan. In the context of a relatively stable external environment, the discount rate in the DCF model may have a greater impact on the price of REITs.

When subjected to external shocks, the price of overseas REITs is in the same direction as the interest rate, and the magnitude of the change is greater than the price of equity assets. When the external environment changes greatly, the short-term operation of REITs' underlying assets will be greatly impacted. At this time, the impact of future cash flow in the DCF model will be greater; at the same time, interest rates usually fall, so the direction of change of REITs share price is similar to in the 10-year Treasury bond yield. Due to factors such as differences in industry dispersion, the price changes of REITs are greater than the price changes of equity assets.



Growth and cash flow stability affect the prices of different types of REITs, and the choice of REITs sector is more stock-like. From 2010 to 2019, the price performance of US infrastructure and industrial REITs was significantly better than that of office, residential, and retail REITs. The above phenomenon may be due to the difference in the growth of different sectors. In 2020, the retail and other REITs whose cash flow stability is more affected had larger price decline and slower recovery, while the infrastructure and industrial sectors will perform relatively better. The growth and cash flow stability of REIT sectors are important factors that affect the price of REITs in different macro environments.

Lock-in period may have a certain short-term impact on the liquidity and asset prices of REITs. C-REITs set a lock-in period for the strategic placement shares, and the strategic placement shares of each REITs and the structure of the lock-in period are different, so the price changes of each REITs may also be different when the lock-in period is approaching.

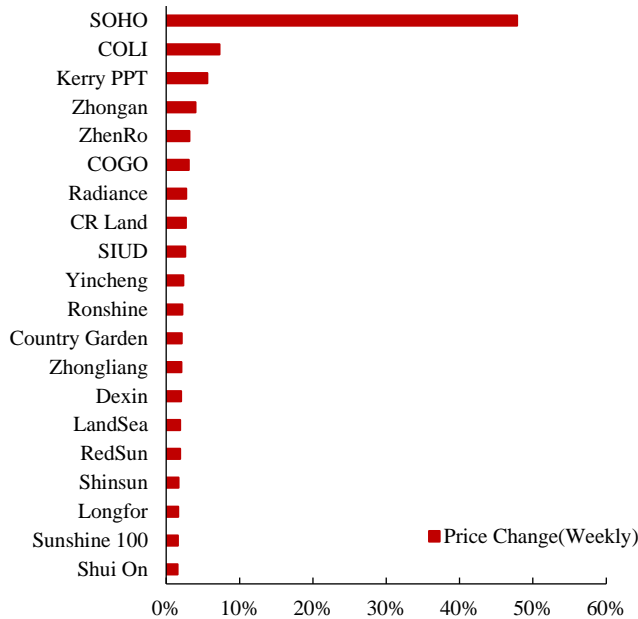
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2. Sector Performance

2.1 Performance of developer sector

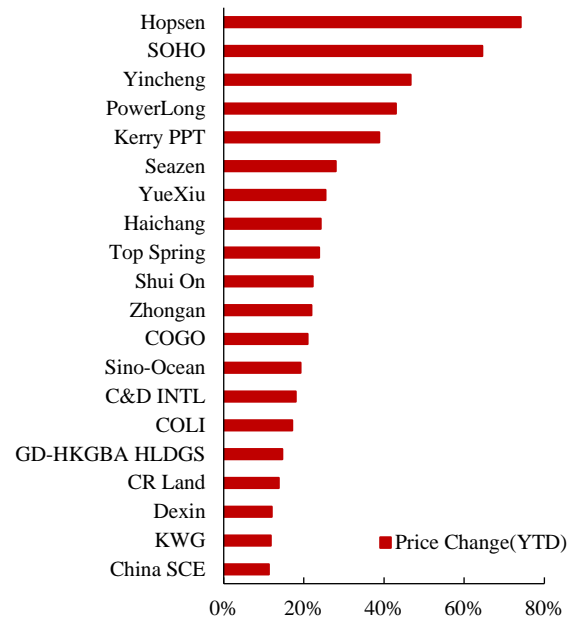
This week, SOHO, COLI and Kerry PPT had larger price increase than peers. Hopsen, SOHO and Yincheng had better share price performance, YTD.

Chart 9: This week, SOHO, COLI and Kerry PPT had larger price increase than peers



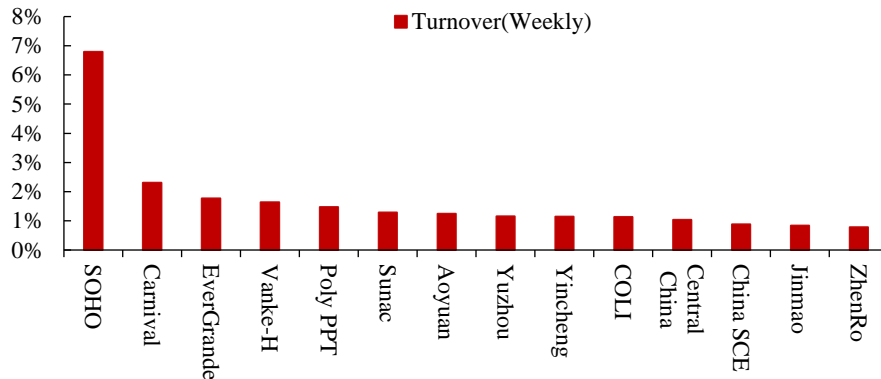
Source: Wind, CWSI Research

Chart 10: Hopsen, SOHO and Yincheng had better share price performance, YTD



Source: Wind, CWSI Research

Chart 11: SOHO, Carnival and EverGrande were most actively traded this week

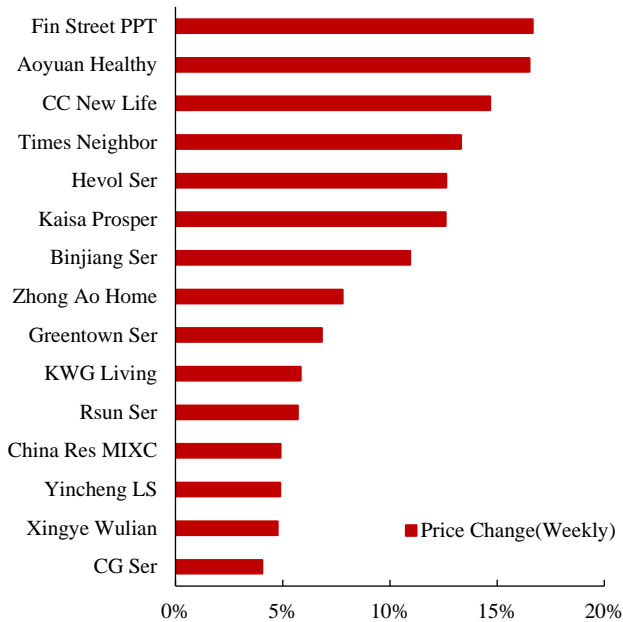


Source: Wind, CWSI Research

2.2 Performance of property management sector

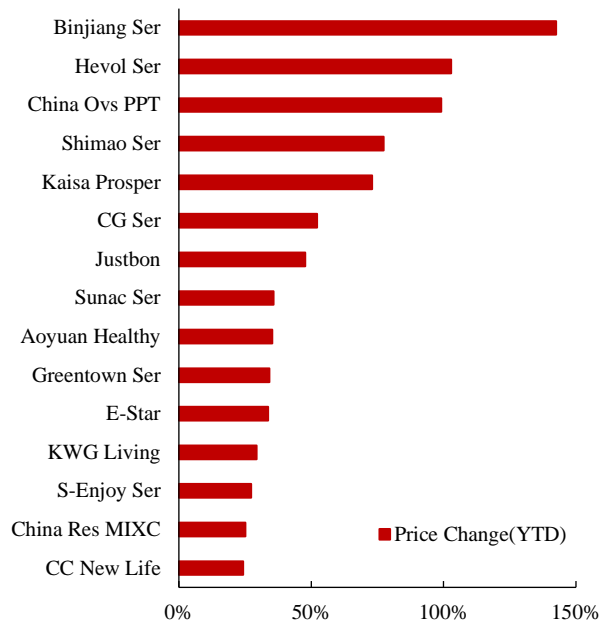
This week, Fin Street PPT, Aoyuan Healthy and CC New Life had larger price increase than peers. Binjiang Ser, Hevol Ser and China Ovs PPT had better share price performance YTD.

Chart 12: This week, Fin Street PPT, Aoyuan Healthy and CC New Life had larger price increase than peers



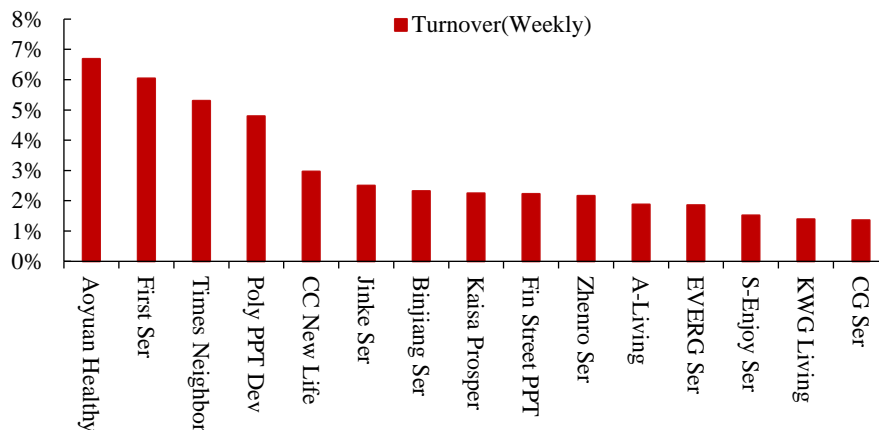
Source: Wind, CWSI Research

Chart 13: Binjiang Ser, Hevol Ser and China Ovs PPT had better share price performance YTD



Source: Wind, CWSI Research

Chart 14: Aoyuan Healthy, First Ser and Times Neighbor were most actively traded this week



Source: Wind, CWSI Research

3. Major cities transaction performance

3.1 New house transaction data

Table 4: 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 | 225,140 | -13% | 85% | 892 | 1% | 38% | 472 | 168% | 138% | 4,216 | 91% |
| Shanghai | 496,600 | 51% | 77% | 1,466 | 20% | 19% | 730 | 139% | 68% | 7,188 | 65% |
| Guangzhou | 149,640 | -23% | -19% | 853 | -33% | 5% | 223 | -44% | -16% | 5,998 | 110% |
| Shenzhen | 66,167 | 1% | -24% | 279 | 5% | -22% | 105 | 24% | -32% | 2,292 | 55% |
| Tier 1 | 937,548 | 11% | 39% | 3,491 | -4% | 14% | 1,531 | 59% | 45% | 19,695 | 81% |
| Tier 2 | 3,040,543 | -8% | 11% | 13,096 | 0% | 7% | 5,063 | 9% | 15% | 63,689 | 54% |
| Tier 3 | 1,916,898 | -19% | -22% | 9,720 | -6% | -16% | 3,357 | -6% | -15% | 53,670 | 43% |
| Beijing | 225,140 | ↓ -13% | ↑ 85% | 892 | ↑ 1% | ↑ 38% | 472 | ↑ 168% | ↑ 138% | 4,216 | ↑ 91% |
| Qingdao | 336,859 | ↓ -1% | ↑ 11% | 1,520 | ↑ 3% | ↑ 7% | 514 | ↑ 34% | ↑ 8% | 7,027 | ↑ 33% |
| Jinan | 308,595 | ↑ 3% | ↑ 20% | 1,460 | ↑ 1% | ↑ 15% | 478 | ↑ 30% | ↑ 18% | 5,351 | ↑ 30% |
| Dongying | 46,480 | ↓ -22% | ↓ -80% | 230 | ↑ 16% | ↓ -69% | 89 | ↑ 35% | ↓ -73% | 1,215 | ↓ -32% |
| PBR | 917,074 | ↓ -4% | ↑ 0% | 4,103 | ↑ 2% | ↑ 1% | 1,553 | ↑ 56% | ↑ 10% | 17,810 | ↑ 33% |
| Shanghai | 496,600 | ↑ 51% | ↑ 77% | 1,466 | ↑ 20% | ↑ 19% | 730 | ↑ 139% | ↑ 68% | 7,188 | ↑ 65% |
| Nanjing | 258,541 | ↓ -8% | ↑ 47% | 1,232 | ↓ -23% | ↑ 38% | 468 | ↓ -29% | ↑ 8% | 7,104 | ↑ 91% |
| Hangzhou | 383,276 | ↓ -5% | ↑ 25% | 1,504 | ↑ 25% | ↑ 44% | 589 | ↑ 33% | ↑ 17% | 6,015 | ↑ 74% |
| Suzhou | 336,872 | ↑ 6% | ↑ 51% | 1,401 | ↑ 37% | ↓ -4% | 535 | ↑ 69% | ↑ 43% | 5,264 | ↑ 30% |
| Wuxi | 198,500 | ↑ 5% | ↑ 51% | 672 | ↑ 13% | ↑ 15% | 199 | ↓ -45% | ↑ 51% | 2,961 | ↑ 40% |
| Yangzhou | 65,406 | ↑ 42% | ↓ -1% | 265 | ↑ 13% | ↑ 30% | 111 | ↑ 29% | ↑ 9% | 1,513 | ↑ 86% |
| Jiangyin | 53,445 | ↓ -45% | ↓ -37% | 367 | ↑ 12% | ↓ -9% | 86 | ↑ 7% | ↓ -27% | 1,615 | ↑ 52% |
| Wenzhou | 170,456 | ↓ -50% | ↓ -6% | 972 | ↑ 14% | ↓ -23% | 340 | ↑ 38% | ↑ 5% | 4,628 | ↑ 58% |
| Jinhua | 45,912 | ↓ -6% | ↑ 0% | 219 | ↑ 21% | ↓ -10% | 82 | ↑ 23% | ↓ -4% | 1,349 | ↑ 80% |
| Changzhou | 46,138 | ↓ -30% | ↓ -45% | 232 | ↑ 9% | ↓ -25% | 80 | ↑ 6% | ↓ -40% | 1,186 | ↑ 2% |
| Huaian | 73,456 | ↓ -19% | ↓ -33% | 322 | ↓ -24% | ↓ -27% | 150 | ↑ 4% | ↓ -11% | 2,740 | ↑ 60% |
| Lianyungang | 161,944 | ↓ -2% | ↑ 15% | 647 | ↑ 8% | ↑ 6% | 262 | ↑ 11% | ↑ 4% | 4,339 | ↑ 83% |
| Shaoxing | - | - | - | 168 | ↓ -49% | ↓ -53% | 14 | ↓ -92% | ↓ -91% | 1,135 | ↑ 14% |
| Zhenjiang | 113,692 | ↓ -10% | ↓ -13% | 610 | ↓ -11% | ↓ -3% | 184 | ↓ -13% | ↓ -4% | 3,299 | ↑ 45% |
| Jiaxing | 8,336 | ↓ -81% | ↓ -90% | 108 | ↓ -42% | ↓ -64% | 49 | ↓ -30% | ↓ -65% | 774 | ↓ -14% |
| Wuhu | 89,344 | ↓ -45% | ↑ 112% | 600 | ↓ -30% | ↑ 210% | 204 | ↓ -27% | ↑ 202% | 3,694 | ↑ 429% |
| Yancheng | 75,043 | ↑ 293% | ↑ 163% | 144 | ↓ -14% | ↓ -58% | 75 | ↑ 155% | ↓ -17% | 1,786 | ↑ 18% |
| Zhoushan | 19,423 | ↓ -39% | ↓ -32% | 148 | ↓ -10% | ↓ -3% | 33 | ↓ -44% | ↓ -34% | 665 | ↑ 23% |
| Chizhou | 12,794 | ↓ -54% | ↓ -22% | 85 | ↓ -16% | ↑ 8% | 36 | ↓ -32% | ↑ 27% | 518 | ↑ 42% |
| Ningbo | 169,223 | ↑ 54% | ↓ -21% | 637 | ↓ -20% | ↓ -25% | 260 | ↓ -25% | ↓ -32% | 4,012 | ↑ 51% |
| YRD | 2,778,402 | ↓ -5% | ↑ 13% | 11,800 | ↑ 0% | ↑ 2% | 4,488 | ↑ 6% | ↑ 8% | 61,785 | ↑ 61% |
| Guangzhou | 149,640 | ↓ -23% | ↓ -19% | 853 | ↓ -33% | ↑ 5% | 223 | ↓ -44% | ↓ -16% | 5,998 | ↑ 110% |
| Shenzhen | 66,167 | ↑ 1% | ↓ -24% | 279 | ↑ 5% | ↓ -22% | 105 | ↑ 24% | ↓ -32% | 2,292 | ↑ 55% |
| Fuzhou | 125,524 | ↓ -17% | ↑ 153% | 625 | ↑ 28% | ↑ 255% | 230 | ↑ 8% | ↑ 279% | 2,346 | ↑ 182% |
| Dongguan | 69,972 | ↓ -27% | ↓ -49% | 408 | ↑ 30% | ↓ -30% | 109 | ↑ 15% | ↓ -44% | 2,238 | ↑ 21% |
| Quanzhou | 858 | ↓ -80% | ↓ -99% | 31 | ↓ -72% | ↓ -88% | 3 | ↓ -96% | ↓ -97% | 596 | ↓ -16% |
| Putian | 53,729 | ↑ 61% | ↓ -3% | 159 | ↓ -26% | ↓ -6% | 73 | ↓ -15% | ↑ 6% | 1,012 | ↑ 59% |
| Huizhou | 114,211 | ↑ 27% | ↑ 101% | 326 | ↑ 70% | ↑ 39% | 174 | ↑ 236% | ↑ 83% | 1,381 | ↑ 67% |
| Shaoguan | 17,145 | ↓ -35% | ↓ -47% | 117 | ↓ -10% | ↓ -40% | 26 | ↓ -41% | ↓ -49% | 657 | ↓ -5% |
| Foshan | 167,920 | ↓ -23% | ↓ -36% | 1,000 | ↓ -14% | ↓ -18% | 314 | ↓ -40% | ↓ -18% | 5,763 | ↑ 33% |
| Zhaoqing | 21,062 | ↓ -49% | ↓ -51% | 171 | ↓ -25% | ↓ -20% | 41 | ↓ -50% | ↓ -37% | 1,174 | ↑ 37% |
| Jiangmen | 26,305 | ↓ -20% | ↑ 13% | 148 | ↑ 7% | ↓ -1% | 46 | ↓ -20% | ↑ 13% | 802 | ↑ 68% |
| PRD & Southern China | 812,533 | ↓ -15% | ↓ -18% | 4,117 | ↓ -9% | ↓ -6% | 1,345 | ↓ -21% | ↓ -10% | 24,260 | ↑ 56% |
| Taian | 37,598 | ↓ -41% | ↓ -26% | 232 | ↑ 6% | ↓ -12% | 79 | ↓ -3% | ↓ -9% | 1,240 | ↑ 60% |
| Northern China | 37,598 | ↓ -41% | ↓ -26% | 232 | ↑ 6% | ↓ -12% | 79 | ↓ -3% | ↓ -9% | 1,240 | ↑ 60% |
| Wuhan | 517,596 | ↓ -18% | ↑ 91% | 2,587 | ↑ 8% | ↑ 95% | 913 | ↑ 31% | ↑ 184% | 11,033 | ↑ 191% |
| Yueyang | 47,469 | ↓ -17% | ↑ 10% | 200 | ↑ 14% | ↓ -6% | 81 | ↑ 22% | ↑ 26% | 915 | ↑ 17% |
| Baoji | 59,200 | ↓ -23% | ↓ -39% | 373 | ↑ 3% | ↓ -16% | 117 | ↓ -6% | ↓ -30% | 1,938 | ↑ 72% |
| Central China | 624,265 | ↓ -19% | ↑ 52% | 3,160 | ↑ 8% | ↑ 59% | 1,110 | ↑ 25% | ↑ 101% | 13,886 | ↑ 144% |
| Chengdu | 448,103 | ↓ -17% | ↓ -26% | 1,544 | ↓ -27% | ↓ -39% | 877 | ↑ 23% | ↓ -18% | 10,573 | ↑ 19% |
| Liuzhou | 80,936 | ↓ -5% | ↓ -20% | 385 | ↓ -15% | ↓ -46% | 131 | ↓ -13% | ↓ -23% | 2,384 | ↑ 1% |
| Nanning | 196,076 | ↓ -16% | ↓ -37% | 966 | ↓ -13% | ↓ -28% | 368 | ↓ -8% | ↓ -20% | 5,116 | ↑ 7% |
| Western China | 725,116 | ↓ -15% | ↓ -29% | 2,895 | ↓ -21% | ↓ -37% | 1,376 | ↑ 9% | ↓ -19% | 18,073 | ↑ 13% |
| Total | 5,894,988 | -9% | 1% | 26,306 | -3% | -2% | 9,951 | 8% | 6% | 137,054 | 52% |
| Num. of cities Up | 10 | | 17 | | 23 | 15 | | 22 | 19 | | 38 |
| Num. of cities Down | 31 | | 24 | | 19 | 27 | | 20 | 23 | | 4 |

Source: Local governments, CWSI Research; Note: Till 2021/6/11

Table 5: Major cities inventory period was 24.0 months this week

| City | Inventory (sqm 000) | wow | yoy | Inventory period | Last week | wow | yoy |
|------------------------|---------------------|------------|------------|------------------|-------------|------------|-------------|
| Beijing | 11,809 | -1% | -2% | 13.2 | 14.4 | -8% | -29% |
| Shanghai | 5,400 | 5% | -26% | 3.7 | 4.3 | -13% | -38% |
| Guangzhou | 8,638 | 1% | 8% | 10.1 | 8.6 | 18% | 4% |
| Shenzhen | 1,939 | 4% | -5% | 7.0 | 6.7 | 4% | 22% |
| Tier 1 Average | | 2% | -6% | 8.5 | 8.5 | 0% | -10% |
| Hangzhou | 2,123 | -8% | -43% | 1.4 | 1.5 | -6% | -61% |
| Nanjing | 6,809 | -1% | 22% | 5.5 | 4.5 | 22% | -11% |
| Suzhou | 8,338 | -1% | 31% | 6.0 | 6.3 | -5% | 36% |
| Fuzhou | 6,713 | -1% | 10% | 10.7 | 9.9 | 9% | -69% |
| Nanning | 8,721 | 0% | 12% | 9.0 | 7.8 | 16% | 56% |
| Wenzhou | 10,897 | 0% | -1% | 11.2 | 11.2 | 0% | 29% |
| Quanzhou | 6,834 | 0% | -4% | 221.3 | 87.9 | 152% | 691% |
| Ningbo | 3,010 | -4% | 19% | 4.7 | 4.0 | 18% | 59% |
| Dongying | 1,812 | -2% | 25% | 7.9 | 7.6 | 4% | 303% |
| Overall Average | | -1% | 4% | 24.0 | 13.4 | 16% | 76% |

Source: Local governments, CWSI Research; Note: Till 2021/6/11; Average WoW and average YoY are defined as average change of each city

3.2 Second-hand house transaction and price data

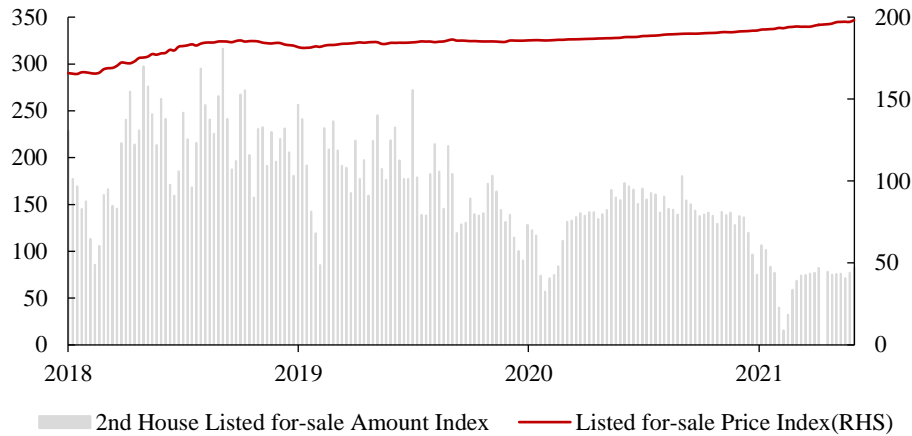
Table 6: Major cities Second-hand house transaction volume, Xiamen and Beijing rose significantly YTD

| 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 | 368,112 | ↓ -8% | ↑ 12% | 1,883 | ↑ 8% | ↑ 16% | 632 | ↑ 39% | ↑ 9% | 8,782 | ↑ 78% |
| Shenzhen | 58,909 | ↓ -9% | ↓ -73% | 308 | ↓ -11% | ↓ -66% | 107 | ↑ 43% | ↓ -71% | 2,263 | ↓ -29% |
| Hangzhou | 136,169 | ↑ 3% | ↓ -11% | 638 | ↑ 1% | ↓ -3% | 198 | ↑ 15% | ↓ -13% | 3,128 | ↑ 50% |
| Nanjing | 251,711 | ↑ 12% | ↑ 22% | 942 | ↑ 7% | ↓ -12% | 416 | - | ↑ 9% | 4,809 | ↑ 36% |
| Chengdu | 87,509 | ↑ 2% | ↓ -31% | 292 | ↓ -23% | ↓ -49% | 157 | ↑ 48% | ↓ -31% | 1,768 | ↓ -19% |
| Qingdao | 156,345 | ↑ 2% | ↑ 8% | 687 | ↑ 3% | ↑ 13% | 274 | ↑ 47% | ↑ 13% | 3,062 | ↑ 58% |
| Wuxi | 149,624 | ↑ 5% | ↓ -3% | 647 | ↑ 7% | ↓ -12% | 254 | ↑ 72% | ↓ -9% | 2,578 | ↑ 5% |
| Suzhou | 164,773 | ↑ 24% | ↑ 21% | 746 | ↓ -2% | ↑ 28% | 262 | ↑ 40% | ↑ 9% | 3,599 | ↑ 59% |
| Xiamen | 88,289 | ↑ 10% | ↑ 1% | 393 | ↓ -11% | ↑ 15% | 143 | ↑ 49% | ↑ 2% | 2,173 | ↑ 78% |
| Yangzhou | 20,026 | ↓ -23% | ↓ -23% | 117 | ↓ -6% | ↓ -4% | 40 | ↑ 5% | ↓ -15% | 564 | ↑ 38% |
| Dongguan | 23,920 | ↓ -7% | ↓ -68% | 121 | ↓ -6% | ↓ -61% | 44 | ↑ 33% | ↓ -66% | 750 | ↓ -28% |
| Nanning | 31,951 | ↓ -22% | ↓ -59% | 144 | ↓ -6% | ↓ -58% | 62 | ↑ 140% | ↓ -67% | 774 | ↓ -21% |
| Foshan | 146,993 | ↑ 1% | ↑ 9% | 688 | ↓ -3% | ↑ 8% | 250 | ↑ 51% | ↑ 7% | 3,377 | ↑ 73% |
| Jinhua | 31,482 | ↓ -51% | ↓ -35% | 331 | ↓ 0% | ↓ -18% | 80 | ↓ -36% | ↓ -52% | 1,640 | ↑ 54% |
| Jiangmen | 12,643 | ↓ -39% | ↓ -37% | 90 | ↑ 4% | ↓ -3% | 29 | ↑ 59% | ↓ -15% | 408 | ↑ 40% |
| Total | 1,728,456 | -1% | -11% | 8,029 | 0% | -11% | 2,949 | 61% | -15% | 39,674 | 34% |
| Num. of cities Up | | 8 | 6 | | 6 | 5 | | 13 | 6 | | 11 |
| Num. of cities Down | | 7 | 9 | | 9 | 10 | | 1 | 9 | | 4 |

Source: Local governments, CWSI Research; Note: Till 2021/6/11

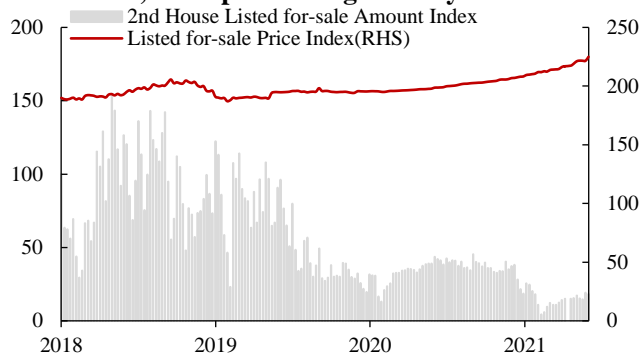


Chart 15: 2nd house listed for-sale price index rose slightly recently



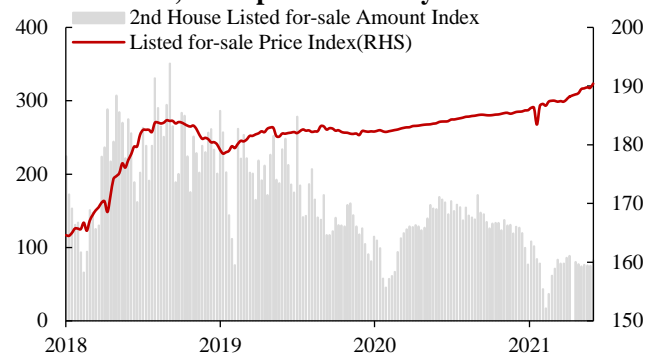
Source: Local Government, CWSI Research; Note: Till 2021/6/6

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



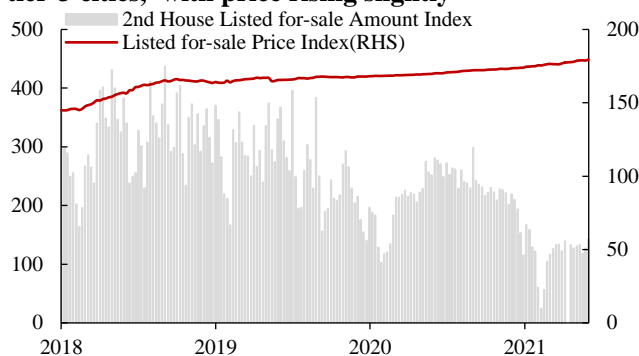
Source: Local Government, CWSI Research; Note: Till 2021/6/6

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



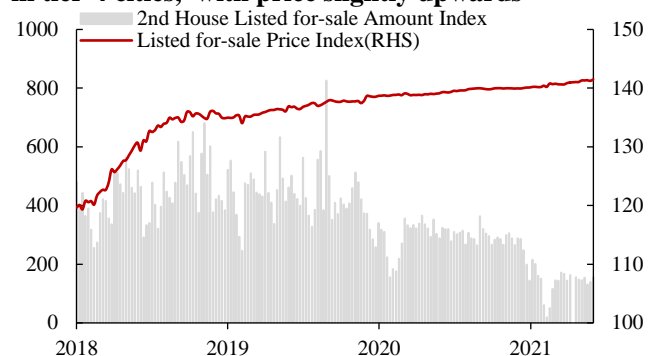
Source: Local Government, CWSI Research; Note: Till 2021/6/6

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 2021/6/6

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 2021/6/6

4. Important Policies and News

4.1 Important Industry Policies News This Week

Table 7: Important Industry Policies News This Week: "Red line" developers and developers with poor credit performance will be restricted from land bidding qualifications in Chengdu; the central government issued opinions on supporting Zhejiang's high-quality development and building a common prosperity demonstration zone

| Date | Region / Institution | Summary |
|------------|----------------------|--|
| 2021-06-07 | Chengdu | "Red line" and developers with poor credit performance will be restricted from land bidding qualifications. |
| 2021-06-08 | Shenzhen | The 14th Five-Year Plan and the 2035 long-term target outline are released, and the target economic aggregate and per capita GDP will be doubled on the basis of 2020. |
| 2021-06-09 | Nanchang | Affiliated companies will be strictly restricted from participating in the same residential land bidding. |
| 2021-06-10 | Zhejiang | The central government issued the opinions of Zhejiang's high-quality development and construction of a common prosperity demonstration zone. |

Source: Wind, Government website, CWSI Research

4.2 Company news and announcements

Table 8: REDCO will spin off its property management business; Kaisa issued USD senior notes

| Date | Company | Summary |
|------------|---------|---|
| 2021-06-09 | REDCO | Will spin off its property management company and list it on the HKEX. |
| 2021-06-09 | Kaisa | Issued additional USD 280 mn 9.75% senior notes due 2023 (to be consolidated and form a single series with the USD 700 mn 9.75% senior notes due 2023). |

Source: Company announcements, CWSI Research

4.3 Key sales data of May 21

Table 9: In Jan-May, Jingrui, Hopsen achieved faster cumulative sales growth

| Company | RIC | 2021 Jan-May contracted sales | | 2021 Jan-May contracted GFA | | May contracted sales | | May contracted GFA | |
|------------------------|-----------|-------------------------------|--------|-----------------------------|--------|----------------------|-------|--------------------|--------|
| | | (RMB bn) | YoY | (000 sqm) | YoY | (RMB bn) | YoY | (000 sqm) | YoY |
| Vanke | 000002.SZ | 286.8 | 16.1% | 17956 | 14.0% | 57.6 | 6.1% | 3827 | -1.1% |
| EverGrande | 3333.HK | 285.2 | 4.5% | 33832 | 12.5% | 63.9 | 6.0% | 7817 | 22.8% |
| Sunac | 1918.HK | 241.8 | 71.9% | 16640 | 62.8% | 70.8 | 56.7% | 5119 | 60.1% |
| PRE | 600048.SH | 234.9 | 50.9% | 14384 | 36.8% | 59.4 | 26.2% | 3892 | 22.6% |
| CMSK | 001979.SZ | 132.6 | 69.8% | 5796 | 72.6% | 31.0 | 38.0% | 1336 | 31.7% |
| Gemdale | 600383.SH | 128.8 | 90.0% | 5745 | 84.7% | 28.5 | 24.9% | 1298 | 29.3% |
| Shimao | 0813.HK | 121.8 | 51.7% | 6870 | 49.9% | 29.1 | 31.9% | 1630 | 29.3% |
| Longfor | 0960.HK | 111.8 | 35.8% | 6538 | 34.8% | 29.5 | 33.4% | 1744 | 35.2% |
| Jinmao | 0817.HK | 110.2 | 68.8% | 6609 | 74.4% | 23.3 | 15.8% | 1194 | -0.8% |
| CIFI | 0884.HK | 110.1 | 97.9% | 6495 | 94.4% | 26.9 | 33.2% | 1592 | 40.2% |
| GreenTown | 3900.HK | 104.5 | 139.7% | 3590 | 127.2% | 23.9 | 95.9% | 930 | 106.7% |
| Seazen | 601155.SH | 94.6 | 32.4% | 9038 | 38.2% | 24.2 | 8.1% | 2187 | 7.2% |
| Zoia | 000961.SZ | 88.7 | 59.3% | 6440 | 54.3% | 20.2 | 8.9% | 1488 | 5.5% |
| Yango | 000671.SZ | 81.3 | 28.8% | 5130 | -7.3% | 17.2 | 5.0% | 1088 | 28.6% |
| Mideadc | 3990.HK | 69.1 | 89.4% | 5782 | 69.5% | 16.1 | 29.8% | 1283 | 16.4% |
| Ronshine | 3301.HK | 68.1 | 67.3% | 2622 | 36.3% | 13.9 | 9.1% | 614 | 13.1% |
| Logan | 3380.HK | 63.6 | 70.7% | 3291 | 36.2% | 11.6 | 0.3% | 858 | 21.9% |
| Agile | 3383.HK | 60.9 | 51.5% | 3929 | 43.2% | 10.1 | 27.2% | 729 | 26.8% |
| ZhenRo | 6158.HK | 54.7 | 33.8% | 3286 | 22.1% | 14.7 | 40.1% | 899 | 28.7% |
| R&F | 2777.HK | 52.5 | 43.5% | 3951 | 27.4% | 12.2 | 15.0% | 909 | 3.1% |
| China SCE | 1966.HK | 46.6 | 65.6% | 2868 | 49.8% | 10.5 | 14.8% | 708 | 29.3% |
| KWG | 1813.HK | 45.9 | 59.8% | 2379 | 38.9% | 11.3 | 23.5% | 636 | 25.0% |
| Risesun | 002146.SZ | 44.4 | 34.3% | 4049 | 35.9% | 11.4 | 0.0% | 970 | 4.4% |
| PowerLong | 1238.HK | 42.5 | 100.4% | 2715 | 97.1% | 9.4 | 27.7% | 576 | 19.0% |
| Yuzhou | 1628.HK | 41.7 | 35.6% | 2313 | 21.4% | 10.4 | 3.5% | 584 | 8.5% |
| YueXiu | 0123.HK | 40.8 | 58.1% | 1480 | 47.3% | 8.1 | 28.0% | 301 | 28.8% |
| Sino-Ocean | 3377.HK | 40.8 | 28.6% | 2244 | 35.0% | 10.3 | 25.3% | 574 | 26.3% |
| BJ Capital Development | 600376.SH | 39.7 | 22.2% | 1195 | 7.9% | 12.0 | 33.6% | 325 | 4.2% |
| Times | 1233.HK | 37.3 | 51.5% | 1925 | 8.7% | 9.0 | 19.7% | 468 | 9.7% |
| BJ Capital Land | 2868.HK | 30.6 | 55.6% | 1422 | 127.5% | 5.5 | 37.8% | 293 | 8.1% |
| Central China | 0832.HK | 29.5 | 0.4% | 4177 | 3.1% | 7.6 | 10.0% | 982 | 1.7% |
| COGO | 0081.HK | 26.4 | 68.3% | 2325 | 55.0% | 8.3 | 75.1% | 686 | 56.0% |
| Fantasia | 1777.HK | 21.9 | 90.4% | 1315 | 30.8% | 6.0 | 56.9% | 434 | 47.7% |
| Poly PPT | 0119.HK | 21.0 | 52.2% | 1102 | 67.0% | 5.2 | 0.0% | 266 | 7.3% |
| Hopsen | 0754.HK | 18.2 | 179.0% | 501 | -10.3% | 3.2 | 61.7% | 83 | 44.4% |
| Modern Land | 1107.HK | 16.9 | 62.7% | 1652 | 65.3% | 4.1 | 23.7% | 374 | 18.7% |
| Jingrui | 1862.HK | 15.3 | 179.9% | 779 | 250.6% | 2.9 | 62.9% | 137 | 80.4% |
| Sunshine 100 | 2608.HK | 1.8 | 2.7% | 172 | 5.6% | 0.7 | 4.9% | 60 | 7.5% |

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



Note:

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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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