

## This Week in China

### China Merchants REITs: Analysis of underlying assets

#### *Topic of the week:*

China Merchants has issued two REITs products, with a total fundraising total of more than RMB 4 bn. Shekou Industrial Park REIT raised a total of RMB 2.08 bn, of which RMB 1.41 bn came from investors other than CMSK. The percentages of valid subscription application confirmations for offline subscriptions and public subscriptions were 5.9% and 2.4%, respectively, which were relatively low among the first batch of REITs. CMC REIT was listed in Hong Kong at the end of 2019, with a total fundraising of HKD 2.57 bn, and it was subscribed 1.43x in the IPO; its current market cap is the smallest among listed Hong Kong REITs, and the average daily turnover rate YTD ranked third among Hong Kong-listed REITs except SF REIT.

**The positioning of the underlying asset and regional planning is a key factor for developers to successfully issue REITs in Mainland China.** The underlying assets of Shekou Industrial Park REIT are two office buildings, but its positioning matches the policy orientation of domestic public REITs: 1) Key areas: The assets are located in key metropolitan areas (GBA), key cities (Shenzhen) and key industrial park (Shekou Wanggu); 2) Key industries: most of the tenants are in industries encouraged by policies; 3) High-quality assets: revenue and profits in the past 3 years are relatively stable, the original owner and operating companies are all central enterprises with good operating records. The match of the positioning of the underlying properties and the policy orientation is the key to the successful issuance of REITs.

**Traditional commercial real estate projects still need to be listed overseas.** Overseas REITs listing rules have fewer restrictions on the underlying asset classes, the underlying assets of the CMC REIT consist of 5 properties including office buildings and shopping malls. The rental income accounted for more than 75%, and the distribution of tenant industries was relatively scattered. In response to the sluggish growth of the H-REIT, Hong Kong government and regulatory agencies have relaxed the relevant restrictions several times after the pandemic, HKFSDC also proposed to promote the diversified development of REITs sectors (healthcare, logistics parks, infrastructure, etc.), which is expected to have a positive effect on the liquidity of H-REIT and the value of listed financing. Some developers may be expected to broaden their financing channels through REITs with commercial real estate projects of under the support of Hong Kong's policies.

#### *Data points:*

As of Jun 18<sup>th</sup>, new house transaction area in 42 major cities this week decreased 24% WoW, and cumulative transaction area in 2021 increased 48% YoY.

As of Jun 18<sup>th</sup>, saleable area (inventory) in 13 major cities this week increased 2% WoW; average inventory period was 42.3 months, average WoW change was 18%.

As of Jun 18<sup>th</sup>, second-hand housing transactions in 15 major cities this week decreased 22% WoW, and cumulative transaction area in 2020 increased 30% YoY.

#### *Suggestion:*

The construction of the Shanghai-Hangzhou-Ningbo Economic Innovation Zone will start, Hangzhou and Jiaying have also issued plans for the construction of the integrated cooperation zone of the two cities. The development of the Yangtze River Delta city cluster is expected to further steadily advance. Under this trend, the satellite cities in the region that undertake the transfer of industries and population may usher in better development opportunities, and the housing demand in the corresponding regions is also expected to be strongly supported. Maintain "Overweight" rating.

**Overweight**

(Maintain)

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# 1. China Merchants REITs: Analysis of underlying assets

Among the first batch of infrastructure REITs, CMSK is the only developer that has participated. In addition to Shekou Industrial Park REIT, China Merchants also has CMC REIT listed in Hong Kong. What is the fundraising results and underlying assets of the China Merchants REITs? What are the enlightenments for other developers?

## 1.1 Fundraising results of CM REITs

**Shekou Industrial Park REIT have raised a total of RMB 2.08 bn, and subscriptions are relatively hot.** Shekou Industrial Park is the first batch of infrastructure REITs, with a total fundraising of RMB 2.08 bn. From the perspective of the placement situation, the strategic placement ratio of Shekou Industrial Park REIT is 65%, of which the share of the original equity holder, CMSK, accounted for 32%. That is, of the total fundraising of RMB 2.08 bn, RMB 670 mn came from CMSK, and RMB 1.41 bn came from investors other than CMSK. The proportions of offline subscriptions and public subscriptions were 25% and 10%, respectively, and the percentages of valid subscription application confirmations were 5.9% and 2.4%, respectively. They were both at a low level among the first batch of REITs, and subscriptions were more popular. It should be noted that the popularity of this REITs subscription comes from the market's positive sentiment towards the first batch of publicly offered REITs, and the subsequent subscription of REITs remains to be seen.

**Table 1: Shekou Industrial Park raised a total of RMB 2.08 bn, 68.0% of which came from external investors**

REIT	Raising scale (RMB bn)	Proportion of non-original equity owners	Amount allocated to non-original equity owners (RMB bn)	Confirmation ratio of subscription application	
				Offline placement	Public placement
CICC GLP REIT	5.84	80.0%	4.67	14.9%	10.0%
Yantian Port REIT	1.84	80.0%	1.47	11.8%	8.8%
Zhangjiang Everbright Park REIT	1.50	80.0%	1.20	11.3%	4.3%
<b>Shekou Industrial Park</b>	<b>2.08</b>	<b>68.0%</b>	<b>1.41</b>	<b>5.9%</b>	<b>2.4%</b>
Soochow-Suzhou Industrial Park REIT	3.49	60.0%	2.10	25.9%	12.3%
Shougang Green Energy	1.34	60.0%	0.80	10.7%	1.8%
Guangzhou Guanghe	9.11	49.0%	4.47	20.0%	10.8%
Fullgoal-BJCapital water REIT	1.85	49.0%	0.91	9.3%	2.4%
Shanghai-Hangzhou-Ningbo Highway REIT	4.36	41.1%	1.79	20.6%	3.7%

Source: Wind, CWSI Research

**CMC REIT was listed on the Hong Kong Stock Exchange in December 2019, with a total raising scale of HKD 2.57 bn.** In December 2019, CMC REIT was subscribed 1.43 times in the IPO, and 750 mn units were offered at the lowest offer price of HKD 3.42 (after the offer, there were a total of 1.13 bn units, and CMSK held 380 mn units), The total amount of funds raised is HKD 2.57 bn. When the CMC REIT was listed, China Merchants Shekou held 33.5% of its units, and the proportion increased to 35.5% at the end of December 2020.

**The market cap of CMC REIT is relatively small, and the pandemic has affected price performance.** The market cap of CMC REIT is small among the listed Hong Kong REITs. As of June 18, the market cap of CMC REIT is HKD 3.14 bn, which is the lowest of the 11 listed Hong Kong REITs that have not been suspended. In terms of transactions, the average daily turnover rate of CMC REIT since 2021 is 0.11%, ranking third among Hong Kong-listed REITs other than SF REIT. In terms of price, the pandemic has brought a great impact on its price.

**Table 2: The market cap of CMC REIT is relatively small among Hong Kong-listed REITs**

REIT	Ticker	Market Cap (HKD bn, as of 2021/6/18)	Average daily turnover rate YTD
Link REIT	0823.HK	162.8	0.31%
Champion REIT	2778.HK	26.5	0.04%
Fortune REIT	0778.HK	16.4	0.15%
Yuexiu REIT	0405.HK	13.9	0.07%
Hui Xian REIT	87001.HK	12.9	0.02%
Sunlight REIT	0435.HK	7.7	0.06%
Regal REIT	1881.HK	5.4	0.02%
Prosperity REIT	0808.HK	4.6	0.10%
Spring REIT	1426.HK	4.3	0.01%
SF REIT	2191.HK	3.6	1.09%
<b>CMC REIT</b>	<b>1503.HK</b>	<b>3.1</b>	<b>0.11%</b>

Source: Wind, HKEX, CWSI Research; Note: Hui Xian REIT is priced in RMB, converted to HKD at the exchange rate on June 18 in the table

## 1.2 Underlying assets of China Merchants REITs

**The underlying assets of Shekou Industrial Park REIT are two office buildings in the industrial park, including commercial use.** Among the first batch of REITs with industrial parks as underlying assets, the underlying assets of Shekou Industrial Park are different from the other two REITs. The underlying assets of Soochow Suyuan are two industrial parks, and the land is used for scientific research and industrial; the underlying assets of Zhangjiang REIT are Zhangjiang Everbright Park Industrial Park, and the land is for industrial use. The underlying assets of Shekou Industrial Park are not the assets of the entire industrial park, but the two office buildings in the industrial park. Although the land used for the project is also industrial, the housing uses include

commercial. From the perspective of the use of underlying assets, Shekou Industrial Park REIT, as the only infrastructure REITs with a developer as the original equity holder, also has underlying assets that are closest to the real estate business.

**Table 3: The underlying assets of CMSK REIT include certain commercial uses**

Asset	Wanrong Building	Wanhai Building
Location	Shekou Wanggu Industrial Park, Nanshan District, Shenzhen	
	Land area: 17,200 sqm	Land area: 18,200 sqm
	GFA: 41,700 sqm	GFA: 53,600 sqm
Construction content and scale	Uses: industrial, commercial, canteen	Uses: building 1: industrial and commercial; building 2: industrial and commercial; building 3: industrial, canteen, supporting facilities
Land use	Industrial land	Industrial land

Source: Prospectus, CWSI Research

**Chart 1: Underlying asset - Wanrong building**



Source: Prospectus, CWSI Research

**Chart 2: Underlying asset - Wanhai Building**



Source: Prospectus, CWSI Research

**The positioning of the underlying asset and regional planning is the key factor for the successful issuance of REITs.** According to the REITs pilot related work notice issued by CSRC and NDRC in April 2020, the requirements of infrastructure REITs pilot projects mainly mention four points, including focusing on key areas, focusing on key industries, focusing on high-quality projects, and strengthening the management of financing use, and the first three points are related to the screening of underlying asset projects. Judging from the description of the underlying assets in the first batch of REITs prospectus, the above three points have been corresponding. Except that the industries of underlying assets are key industries in the policy, all the projects are located in Beijing, Greater Bay Area and the Yangtze River Delta (corresponding to key areas); in addition to the operating conditions of the underlying projects, the

original owners are mostly well-run state-owned enterprises or some leading industry players (such as GLP) and the management agencies are mostly related to the original owners (corresponding to high-quality projects).

**Table 4: Infrastructure REITs pilot projects require focus on key regions and industries**

Infrastructure REITs pilot project requirements	Summary
Focus on key areas	<ul style="list-style-type: none"> <li>· <b>Beijing-Tianjin-Hebei, Yangtze River Economic Belt, Xiongan New Area, Greater Bay Area, Hainan, Yangtze River Delta and other key areas</b></li> <li>· <b>National-level new zone</b>, qualified national-level economic and technological development zone</li> </ul>
Focus on key industries	<ul style="list-style-type: none"> <li>· Infrastructure to make up for <b>shortcoming industries</b>, including warehousing and logistics, toll roads and other transportation facilities, water, electricity and heat and other municipal projects, urban sewage and garbage treatment, solid waste and hazardous waste treatment and other pollution control projects</li> <li>· <b>New infrastructure</b> such as information network, as well as national strategic emerging industrial clusters, high-tech industrial parks, characteristic industrial parks, etc.</li> </ul>
Focus on quality projects	<ul style="list-style-type: none"> <li>· The ownership of the project is clear; <b>the source of income is mainly user-paid</b>, and no major problems and contract disputes have occurred</li> <li>· Have a mature business model and market-oriented operation capabilities, have <b>generated continuous and stable income and cash flow</b>, have a good return on investment, and have continuous operation capabilities and good growth potential</li> <li>· <b>The sponsors and infrastructure operating companies have sound credit, sound internal control systems, and continuous operation capabilities</b>, and have no major violations of laws and regulations in the past three years; infrastructure operating companies should also have rich operational management capabilities</li> </ul>
Strengthen the management of financing purposes	<ul style="list-style-type: none"> <li>· Use the funds collected for the construction of new infrastructure and public utilities, and focus on supporting projects to make up for shortcomings</li> </ul>

Source: Government website, CWSI Research

**The description of the two office buildings in Shekou Industrial Park matches the policy orientation.** In the description chapter of the basic situation of infrastructure projects, it has made a one-to-one correspondence with the aforementioned contents: 1) Key areas: mainly describes the **planning of Shekou Wanggu area** (focus on the development of network information, scientific and technological services, cultural creativity and other emerging service industries), and the **demonstration significance of the industrial park where the office building is located** (Shenzhen Shekou Wanggu's predecessor, Shekou Industrial Zone is China's first export-oriented economic development zone and industrial park, and Shekou Wanggu is the first batch of national double innovation demonstration project, national e-commerce



demonstration project, the only Internet industry base in Shenzhen's "Twelfth Five-Year Plan" industrial park, etc.). 2) Key industries: At the end of 2020, the **new generation of information technology industry and cultural and creative industries accounted for 51.5% and 54.8% of the tenants of Wanrong Building and Wanhai Building in total, accounting for 53.5% in total.** 3) High-quality projects: Office buildings have been relatively stable in revenue and profit in the past three years (the decline in revenue and profit in 2020 is mainly due to the rent reduction policy in the pandemic), the original owner is the central state-owned enterprise CMSK, and the operating companies are both its related companies. **Although the underlying assets of Shekou Industrial Park are office buildings, its compatibility with policy orientation is the key to the successful issuance of Shekou Industrial Park REIT.**

**Table 5: One-to-one correspondence between the underlying assets of Shekou Industrial Park and policy requirements**

<b>Infrastructure REITs pilot project requirements</b>	<b>The underlying assets of Shekou Industrial Park</b>
Focus on key areas	Located in Shekou Wanggu Industrial Park, Nanshan District, Shenzhen, the industrial park is of demonstrative significance
Focus on key industries	The total tenant area of the new generation of information technology industry and cultural and creative industries accounted for 51.5% and 54.8% respectively
Focus on quality projects	Revenue and profits have been relatively stable in the past three years, and the original owner and operating companies are large central enterprises or their affiliates

Source: Prospectus, government website, CWSI Research

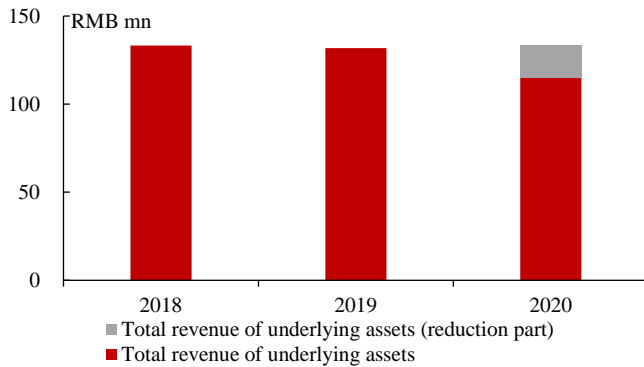
**Table 6: Shekou Wanggu, the industrial park where office assets are located, has exemplary significance**

<b>Issuer</b>	<b>Name</b>	<b>Year</b>	<b>Level</b>
Ministry of Commerce	National E-commerce Demonstration Base	2015	National
National Development and Reform Commission	China Merchants Double Innovation Demonstration Base	2016	National
Department of Commerce of Guangdong Province	Guangdong E-commerce Demonstration Base	2015	Provincial
Guangdong Provincial Economic and Information Commission	Guangdong Internet of Things Industry Demonstration Base	2015	Provincial
Guangdong Provincial Department of Culture and Tourism	Qualification for the establishment of a provincial cultural industry demonstration park	2019	Provincial

Source: Prospectus, CWSI Research

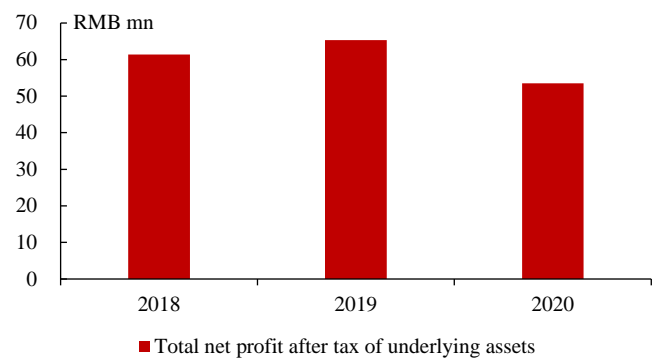


**Chart 3: Shekou Industrial Park's underlying asset revenue is relatively stable**



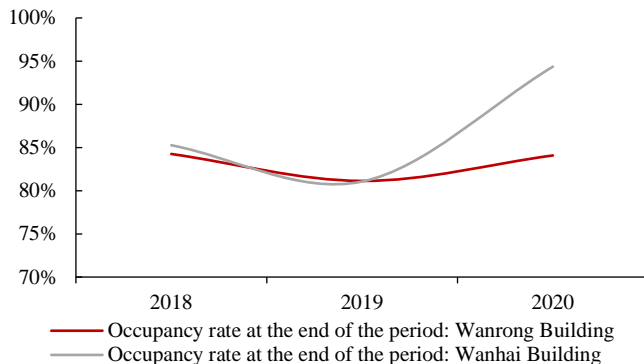
Source: Prospectus, CWSI Research

**Chart 4: The reduction policy has led to a decline in net profit after tax in 2020**



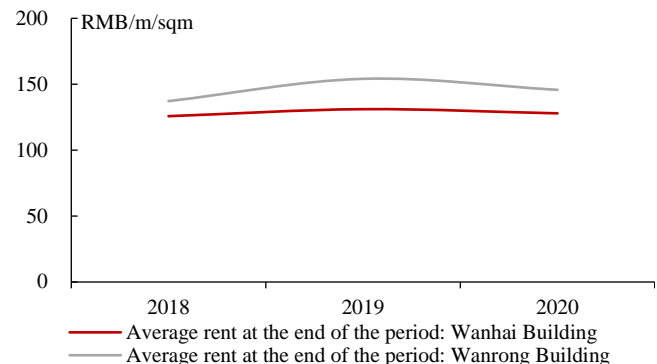
Source: Prospectus, CWSI Research

**Chart 5: The occupancy rate of the underlying assets of Shekou Industrial Park is relatively high**



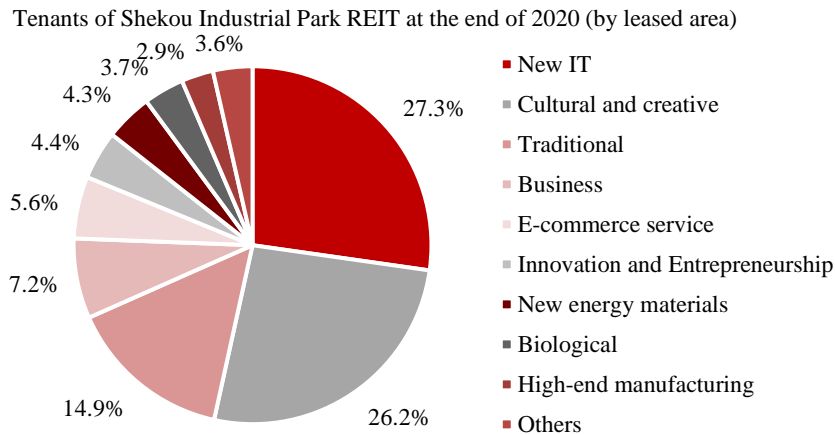
Source: Prospectus, CWSI Research

**Chart 6: The rent of the two office buildings is relatively stable**



Source: Prospectus, CWSI Research

**Chart 7: The tenant industries of Shekou Industrial Park's underlying assets are mainly encouraged by policies**



Source: Prospectus, CWSI Research

**Developers' industrial parks and office projects may also participate in the issuance of domestic REITs.** The issuance of Shekou Industrial Park REIT shows that, although current infrastructure C-REIT pilot scope does not include residential and commercial real estate projects, industrial office projects that conform to policy orientation may open effective exit channels and realize a virtuous circle of investment through public REITs. In fact, some developers already hold some industrial office assets. On the one hand, the business of some developers includes the operation and development of industrial parks. On the other hand, part of the plots located in key areas supported by the policy are accompanied by certain industrial office and scientific research land at the time of transfer. At the project level, the **regions** (the aforementioned key area), the **theme of the park and the industry** (new generations of information technology, high-end equipment, new materials, biomedicine, energy conservation and environmental protection, etc.) of the industrial office projects held by developers need to be encouraged by policies; at the developer level, they need to have **excellent park operation capabilities and good operating records**. Industrial office projects and developers that meet the above requirements may also be expected to participate in the issuance of public C-REIT.

**Overseas REITs markets have fewer restrictions on underlying assets.** From the perspective of C-REIT' establishment intention and current development direction, in the short term, C-REIT market may be difficult to open to residential and commercial real estate projects. If developers want to issue REITs using commercial real estate projects, they may need to issue them in overseas markets with fewer restrictions on the underlying asset class. Judging from the current situation in the overseas REITs market, the underlying assets of listed REITs in Hong Kong and Singapore all include

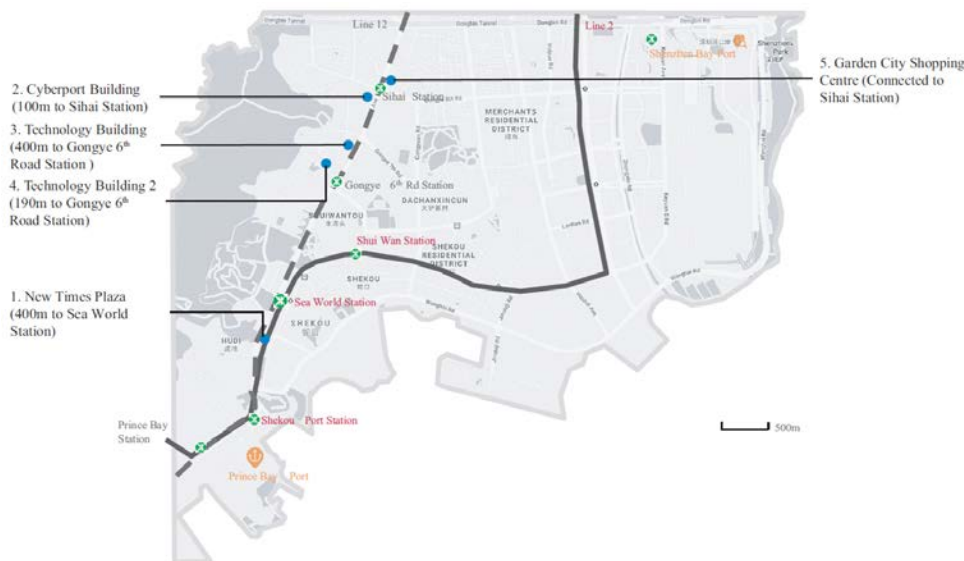


properties in Mainland China. CMC REIT, whose underlying assets has the same original owner as Shekou Industrial Park REIT, was listed in Hong Kong at the end of 2019.

**The tenant industry of the underlying assets of CMC REIT is relatively scattered.**

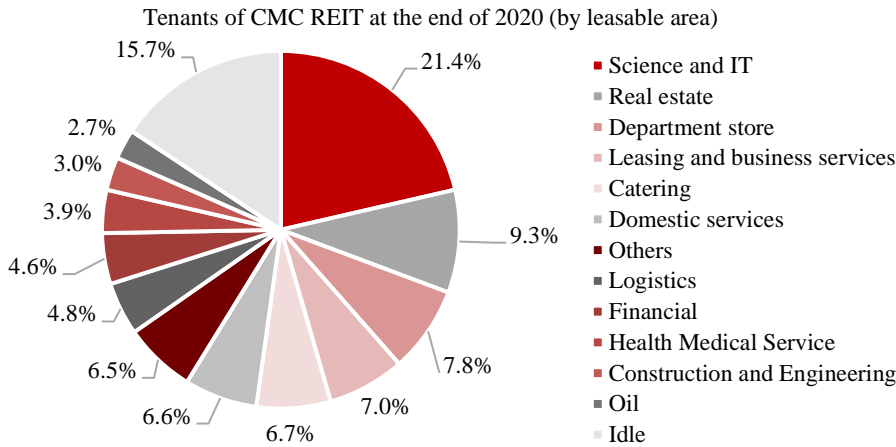
The underlying assets of CMC REIT are all located in Shekou, Nanshan District, Shenzhen, including 1 Grade A office building, 3 office complexes and 1 shopping mall. The total leasable GFA at the end of 2020 is 248,928 sqm. In terms of tenant distribution, unlike the two office buildings in Shekou Industrial Park, the tenant industry of CMC REIT is relatively dispersed. At the end of 2020, tenants in the science and information technology industries that are more encouraged by policies accounted for only 21.4% of the total rentable area of the five properties.

**Chart 8: The underlying assets of CMC REIT are 5 commercial properties located in Shekou Industrial Zone**



Source: Prospectus, CWSI Research

**Chart 9: CMC REIT’s tenant industry is relatively scattered**



Source: Company announcement, CWSI Research

**The Hong Kong REITs listing rules have relatively loose requirements for the underlying asset classes, and higher requirements for the business and structure of REITs.** The Hong Kong “Code for Real Estate Investment Trusts” does not impose restrictions on the types of underlying assets. The requirements for the underlying assets of REITs focus on the business and structure: 1) Business: REITs shall primarily invest in real estate, and at least 75% of the gross asset value of the scheme shall be invested in real estate that generates recurrent rental income at all times. 2) Structure: where the scheme invests in hotels, recreation parks or serviced apartments, such investments shall be held by special purpose vehicles or joint venture entities. In fact, the underlying assets of H-REIT, except for SF REIT, are basically more traditional commercial real estate projects such as office buildings, retail, serviced apartments, and hotels.

**Table 7: Hong Kong's restrictions on the underlying assets of REITs are mainly at the business and structural levels**

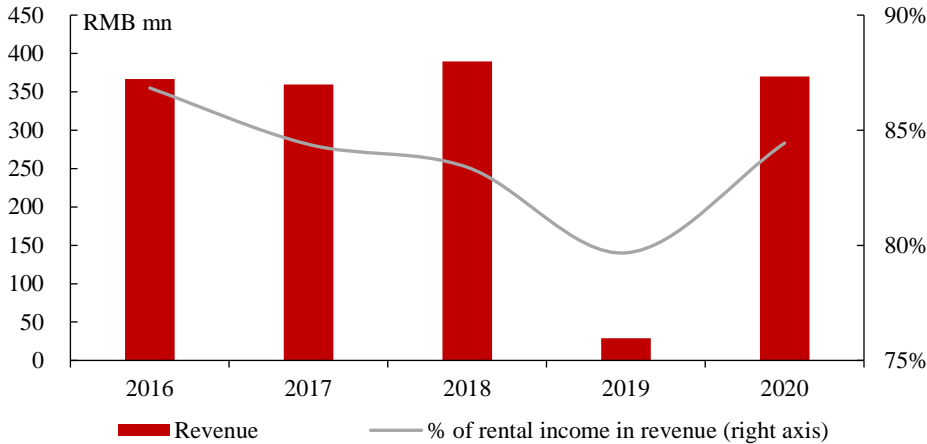
Investment restrictions	Summary
Business	<ul style="list-style-type: none"> <li>·75% of gross asset value of real estate that generates recurrent rental income</li> <li>·Combined value of minority-owned properties, property developments, financial instruments and other ancillary investments shall not exceed 25% of gross asset value</li> </ul>
Structure	<ul style="list-style-type: none"> <li>·Where the scheme invests in hotels, recreation parks or serviced apartments, such investments shall be held by special purpose vehicles or joint venture entities</li> </ul>

Source: Code for Real Estate Investment Trusts, CWSI Research

**The underlying assets of the CMC REIT meet the main requirements of H-REIT.** In terms of business, the income of CMC REIT was mainly derived from rental income (2016-2020 accounted for more than the prescribed proportion 75%), and has no property development projects carried out so far. In terms of structure, the underlying

assets of CMC REIT are all office buildings and retail projects, and no special structural requirements are involved.

**Chart 10: CMC REIT’s rental income accounted for more than 75% of its revenue**



Source: Company announcement, CWSI Research; note: CMC REIT was established on November 15, 2019, and the time interval for the 2019 income statement data is from November 15, 2019 to December 31, 2019

**Relatively few matching assets and insufficient willingness to finance through REITs have caused Mainland developers to participate less in the H-REIT market in the past.** Hong Kong is the third largest REITs market in Asia, and as the market closest to the Mainland China, it has great development potential. However, the participation of Mainland developers in H-REIT market is not high. The possible reasons include: 1) Insufficient assets suitable for listing as REITs: In the past ten years, the total amount of the Mainland real estate market has continued to grow, and the industry development stage has made mainstream developers in the Mainland still focus on property development, and their emphasis on operating real estate is relatively limited. 2) Insufficient willingness to issue REITs: On the one hand, the regulatory regime of H-REIT makes it less attractive to investors, and their tax and financial incentives are less attractive than other developed REITs markets; at the same time, the paper “Revitalisation of Hong Kong’s Real Estate Investment Trusts Market - Promoting Liquidity” published by HKFSDC in May 2021 pointed out that, “market participants also agree that listing and ongoing compliance costs of REITs are generally higher than those of listed companies, largely due to regulatory and compliance requirements specific to REITs, which in turn “would affect the distributable profits to investors and thus undermine its attractiveness to investors”. On the other hand, the slow development of the H-REIT market has further led to limited investors’ recognition of their value. Issuing REITs may not necessarily bring the value recognized by asset holders. Therefore, in the past, developers have more adopted overall listing methods to conduct equity financing. As the Mainland real estate market gradually enters the stage of stock development and the industry’s financing

environment is difficult to loose in the short term, properties suitable as the underlying assets of REITs may increase; at the same time, the support of the Hong Kong government and regulatory agencies to REITs may promote the development of the H-REITs market to a certain extent, and the willingness of developers to inject them into REITs for listing may also increase.

### **1.3 How can developers use REITs to innovate financing channels?**

**The successful listing of China Merchants REITs shows that developers can also use REITs to raise funds.** Although the current industry financing policies are still tight, and residential and commercial real estate projects are not included in the pilot infrastructure REITs, CMSK has successfully issued public REITs with office buildings located in the industrial park as the underlying assets. In the overseas market, at the end of 2019, CMC REIT became the first REITs listed in the Hong Kong market since 2014. Recently, SF successfully securitized three logistics assets through REITs. The above successful experience shows that developers currently have the possibility of financing through REITs.

**The positioning of the underlying asset and regional planning is a key factor for developers to successfully issue REITs in Mainland China.** The underlying assets of Shekou Industrial Park REIT are two office buildings, but its positioning matches the policy orientation of domestic public REITs: 1) Key areas: The assets are located in key metropolitan areas (GBA), key cities (Shenzhen) and key industrial park(Shekou Wanggu); 2) Key industries: most of the tenants are in industries encouraged by policies; 3) High-quality assets: revenue and profits in the past 3 years are relatively stable, the original owner and operating companies are all central enterprises with good operating records. The match of the positioning of the underlying properties and the policy orientation is the key to the successful issuance of REITs.

**The listing of traditional commercial real estate projects still needs to go through the overseas REITs market.** From the perspective of C-REIT establishment intention and current development direction, in the short term, C-REIT market may be difficult to open to residential and commercial real estate projects. If developers want to issue REITs in commercial real estate projects, they may need to issue them in overseas markets with fewer restrictions on underlying asset classes. Hong Kong, Singapore, and other developed REITs markets that already contain mainland assets may be better choices.

**The Hong Kong government and regulatory agencies support the development of the REITs market, and new sectors of real estate projects are also expected to be listed through REITs.** The Hong Kong government and regulatory agencies have made several amendments to the REITs policy after the pandemic (including the



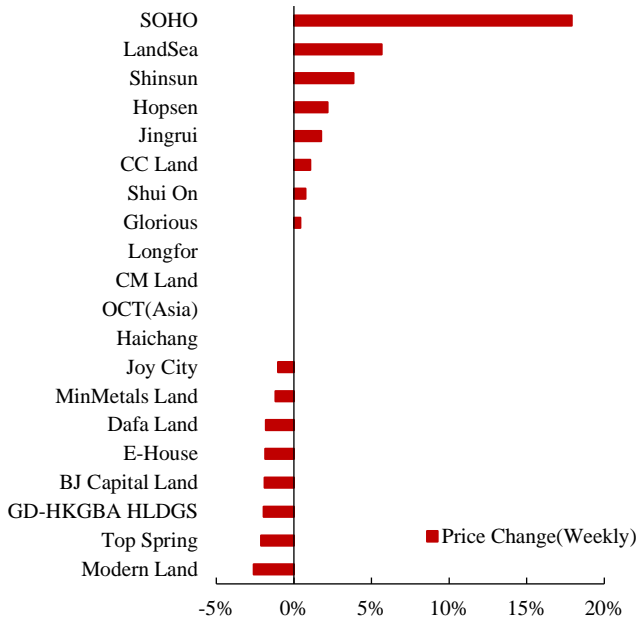
removal of the MPF's 10% limit on the investment of REITs listed in Hong Kong, the United Kingdom, the United States, and Australia, and allowing H-REITs to invest in minority equity properties and property development projects are more flexible, etc.), which to a certain extent reflects the Hong Kong government's supportive attitude towards the development of the REITs market, and is expected to have a positive effect on the liquidity of the H-REIT market. On the other hand, the HKFSDC proposed in its policy recommendations to promote the diversified development of REITs products, including real estate sectors such as health care, logistics parks and infrastructure; currently some developers also involve logistics real estate, healthcare real estate and other new sectors of real estate businesses, and may also be able to broaden financing channels through REITs with the support of Hong Kong's policies.

## 2. Sector Performance

### 2.1 Performance of developer sector

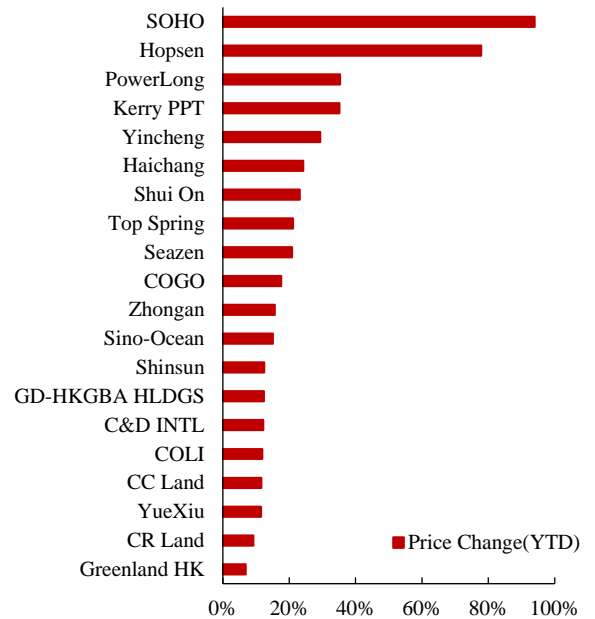
This week, SOHO, LandSea and Shinsun had larger price increase than peers. SOHO, Hopsen and PowerLong had better share price performance, YTD.

**Chart 11: This week, SOHO, LandSea and Shinsun had larger price increase than peers**



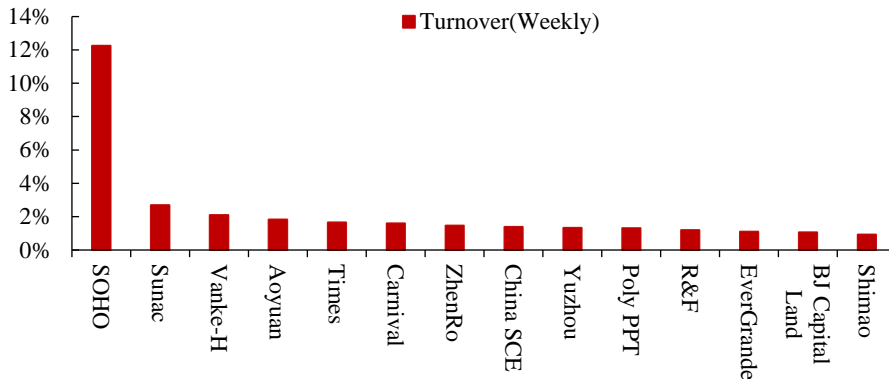
Source: Wind, CWSI Research

**Chart 12: SOHO, Hopsen and PowerLong had better share price performance, YTD**



Source: Wind, CWSI Research

**Chart 13: SOHO, Sunac and Vanke-H were most actively traded this week**



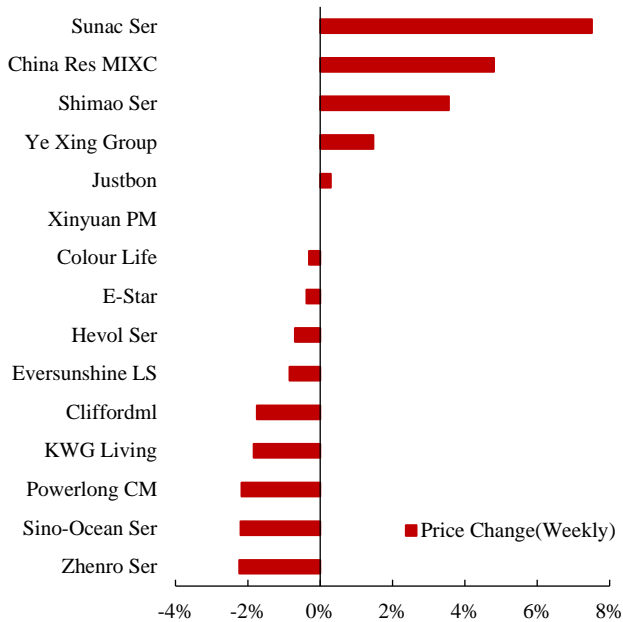
Source: Wind, CWSI Research



## 2.2 Performance of property management sector

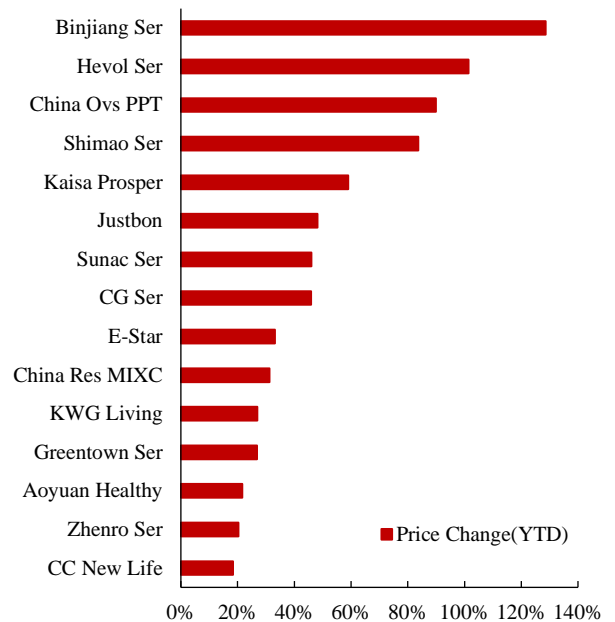
This week, Sunac Ser, China Res MIXC and Shimao Ser had larger price increase than peers. Binjiang Ser, Hevol Ser and China Ovs PPT had better share price performance YTD.

**Chart 14: This week, Sunac Ser, China Res MIXC and Shimao Ser had larger price increase than peers**



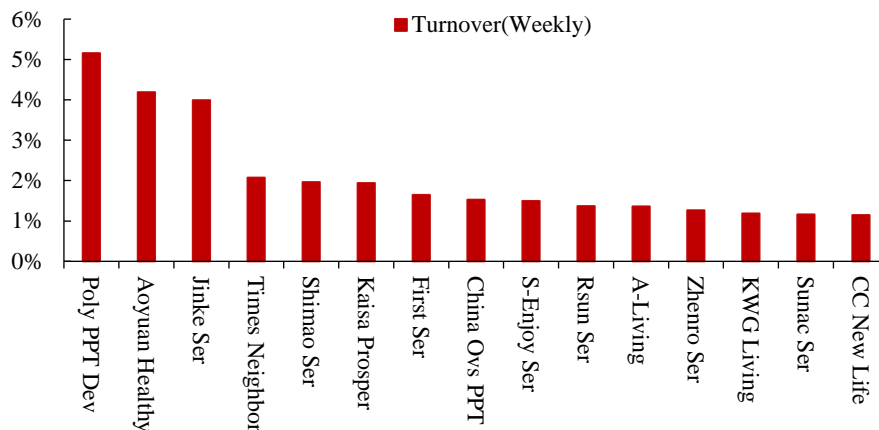
Source: Wind, CWSI Research

**Chart 15: Binjiang Ser, Hevol Ser and China Ovs PPT had better share price performance YTD**



Source: Wind, CWSI Research

**Chart 16: Poly PPT Dev, Aoyuan Healthy and Jinke Ser were most actively traded this week**



Source: Wind, CWSI Research

## 3. Major cities transaction performance

### 3.1 New house transaction data

Table 8: 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	181,320	-19%	4%	879	-1%	56%	654	76%	75%	4,397	84%
Shanghai	336,200	-32%	18%	1,556	40%	22%	1,067	93%	48%	7,524	62%
Guangzhou	136,118	-9%	-42%	768	-37%	-14%	359	-42%	-28%	6,134	99%
Shenzhen	54,083	-18%	-24%	272	8%	-23%	160	10%	-29%	2,347	51%
<b>Tier 1</b>	<b>707,721</b>	<b>-25%</b>	<b>-8%</b>	<b>3,475</b>	<b>0%</b>	<b>13%</b>	<b>2,239</b>	<b>33%</b>	<b>23%</b>	<b>20,403</b>	<b>75%</b>
<b>Tier 2</b>	<b>2,309,313</b>	<b>-25%</b>	<b>-20%</b>	<b>12,283</b>	<b>-6%</b>	<b>-3%</b>	<b>7,396</b>	<b>-5%</b>	<b>1%</b>	<b>66,022</b>	<b>49%</b>
<b>Tier 3</b>	<b>1,694,592</b>	<b>-22%</b>	<b>-34%</b>	<b>9,219</b>	<b>-13%</b>	<b>-22%</b>	<b>5,308</b>	<b>-12%</b>	<b>-18%</b>	<b>55,620</b>	<b>39%</b>
Beijing	181,320	↓ -19%	↑ 4%	879	↓ -1%	↑ 56%	654	↑ 76%	↑ 75%	4,397	↑ 84%
Qingdao	290,092	↓ -14%	↓ -28%	1,459	↑ 2%	↓ -4%	804	↑ 10%	↓ -9%	7,317	↑ 29%
Jinan	274,303	↓ -11%	↑ 6%	1,371	↓ -5%	↑ 13%	752	↑ 3%	↑ 13%	5,626	↑ 28%
Dongying	38,995	↓ -32%	↓ -78%	229	↑ 19%	↓ -71%	138	↑ 20%	↓ -72%	1,265	↓ -36%
<b>PBR</b>	<b>784,709</b>	<b>↓ -15%</b>	<b>↓ -22%</b>	<b>3,939</b>	<b>↓ -1%</b>	<b>↓ -3%</b>	<b>2,348</b>	<b>↑ 20%</b>	<b>↓ -3%</b>	<b>18,605</b>	<b>↑ 29%</b>
Shanghai	336,200	↓ -32%	↑ 18%	1,556	↑ 40%	↑ 22%	1,067	↑ 93%	↑ 48%	7,524	↑ 62%
Nanjing	226,947	↓ -12%	↑ 10%	1,151	↓ -23%	↑ 23%	695	↓ -28%	↑ 8%	7,331	↑ 87%
Hangzhou	202,404	↓ -47%	↓ -21%	1,460	↑ 23%	↑ 32%	791	↑ 15%	↑ 4%	6,218	↑ 68%
Suzhou	213,000	↓ -37%	↓ -39%	1,393	↑ 36%	↓ -16%	748	↑ 39%	↑ 4%	5,477	↑ 25%
Wuxi	181,800	↓ -8%	↑ 62%	695	↑ 15%	↑ 18%	380	↓ -27%	↑ 56%	3,143	↑ 41%
Yangzhou	50,264	↓ -39%	↓ -24%	255	↑ 5%	↑ 19%	178	↑ 9%	↑ 6%	1,580	↑ 79%
Jiangyin	53,993	↓ -23%	↓ -19%	363	↑ 4%	↓ -12%	157	↑ 1%	↓ -15%	1,686	↑ 49%
Wenzhou	98,853	↓ -51%	↓ -60%	934	↑ 11%	↓ -30%	469	↑ 13%	↓ -18%	4,758	↑ 50%
Jinhua	38,176	↓ -27%	↓ -40%	221	↑ 19%	↓ -13%	126	↑ 16%	↓ -15%	1,394	↑ 72%
Changzhou	17,808	↓ -66%	↓ -76%	202	↓ -14%	↓ -36%	104	↓ -20%	↓ -50%	1,210	↓ -2%
Huaian	43,029	↓ -50%	↓ -70%	296	↓ -26%	↓ -38%	205	↓ -9%	↓ -34%	2,796	↓ -51%
Lianyungang	97,427	↓ -49%	↓ -19%	625	↑ 2%	↑ 5%	387	↑ 1%	↑ 4%	4,463	↑ 79%
Shaoxing	58,760	↑ 1545%	↑ 19%	122	↓ -67%	↓ -62%	77	↓ -73%	↓ -64%	1,198	↑ 15%
Zhenjiang	92,220	↓ -33%	↓ -31%	567	↓ -21%	↓ -7%	300	↓ -19%	↓ -8%	3,415	↑ 42%
Jiaxing	30,174	↓ -19%	↓ -73%	142	↓ -18%	↓ -60%	108	↑ 13%	↓ -57%	833	↓ -17%
Wuhu	86,553	↓ -10%	↑ 82%	520	↓ -36%	↑ 162%	297	↓ -34%	↑ 158%	3,788	↑ 408%
Yancheng	176,431	↑ 135%	↑ 1109%	290	↑ 70%	↑ 12%	251	↑ 318%	↑ 141%	1,962	↑ 28%
Zhoushan	20,094	↓ -13%	↓ -41%	137	↓ -21%	↓ -9%	57	↓ -39%	↓ -32%	689	↑ 20%
Chizhou	11,191	↓ -21%	↓ -31%	75	↓ -31%	↓ -2%	49	↓ -36%	↑ 9%	530	↑ 39%
Ningbo	93,217	↓ -52%	↓ -45%	564	↓ -32%	↓ -35%	376	↓ -30%	↓ -32%	4,128	↑ 46%
<b>YRD</b>	<b>2,128,539</b>	<b>↓ -29%</b>	<b>↓ -17%</b>	<b>11,568</b>	<b>↓ -1%</b>	<b>↓ -4%</b>	<b>6,825</b>	<b>↑ 0%</b>	<b>↑ 1%</b>	<b>64,123</b>	<b>↑ 56%</b>
Guangzhou	136,118	↓ -9%	↓ -42%	768	↓ -37%	↓ -14%	359	↓ -42%	↓ -28%	6,134	↑ 99%
Shenzhen	54,083	↓ -18%	↓ -24%	272	↑ 8%	↓ -23%	160	↑ 10%	↓ -29%	2,347	↑ 51%
Fuzhou	128,993	↑ 3%	↑ 348%	579	↑ 10%	↑ 280%	359	↓ -8%	↑ 301%	2,475	↑ 187%
Dongguan	106,586	↑ 52%	↓ -19%	392	↑ 14%	↓ -33%	216	↓ -1%	↓ -34%	2,345	↑ 19%
Quanzhou	1,059	↓ -64%	↓ -99%	15	↓ -87%	↓ -95%	6	↓ -94%	↓ -97%	599	↓ -24%
Putian	44,735	↓ -24%	↑ 79%	181	↓ -10%	↑ 5%	123	↑ 7%	↑ 31%	1,062	↑ 60%
Huizhou	44,183	↓ -61%	↓ -35%	320	↑ 61%	↑ 24%	219	↑ 114%	↑ 34%	1,425	↑ 59%
Shaoguan	15,399	↓ -32%	↓ -61%	104	↓ -27%	↓ -46%	47	↓ -40%	↓ -48%	677	↓ -7%
Foshan	151,013	↓ -10%	↓ -51%	852	↓ -28%	↓ -31%	465	↓ -43%	↓ -33%	5,914	↑ 27%
Zhaoqing	14,874	↓ -41%	↓ -78%	140	↓ -38%	↓ -39%	60	↓ -55%	↓ -55%	1,193	↑ 29%
Jiangmen	20,386	↓ -35%	↓ -32%	131	↓ -10%	↓ -7%	72	↓ -29%	↑ 2%	828	↑ 63%
<b>PRD &amp; Southern China</b>	<b>717,430</b>	<b>↓ -14%</b>	<b>↓ -33%</b>	<b>3,754</b>	<b>↓ -18%</b>	<b>↓ -17%</b>	<b>2,084</b>	<b>↓ -26%</b>	<b>↓ -19%</b>	<b>24,999</b>	<b>↑ 50%</b>
Taian	39,087	↓ -12%	↓ -33%	203	↓ -18%	↓ -25%	125	↓ -20%	↓ -14%	1,286	↑ 54%
<b>Northern China</b>	<b>39,087</b>	<b>↓ -12%</b>	<b>↓ -33%</b>	<b>203</b>	<b>↓ -18%</b>	<b>↓ -25%</b>	<b>125</b>	<b>↓ -20%</b>	<b>↓ -14%</b>	<b>1,286</b>	<b>↑ 54%</b>
Wuhan	408,633	↓ -21%	↓ -1%	2,330	↓ -8%	↑ 67%	1,322	↓ -3%	↑ 80%	11,442	↑ 173%
Yueyang	46,963	↓ -17%	↑ 9%	211	↑ 14%	↑ 2%	137	↑ 23%	↑ 28%	971	↑ 17%
Baoji	59,541	↑ 1%	↓ -20%	327	↓ -16%	↓ -24%	176	↓ -23%	↓ -27%	1,997	↑ 66%
<b>Central China</b>	<b>515,137</b>	<b>↓ -19%</b>	<b>↓ -3%</b>	<b>2,868</b>	<b>↓ -7%</b>	<b>↑ 41%</b>	<b>1,634</b>	<b>↓ -4%</b>	<b>↑ 51%</b>	<b>14,411</b>	<b>↑ 131%</b>
Chengdu	388,199	↓ -13%	↓ -26%	1,509	↓ -22%	↓ -41%	1,265	↑ 11%	↓ -21%	10,961	↑ 17%
Liuzhou	69,082	↓ -33%	↓ -54%	386	↓ -16%	↓ -48%	222	↓ -8%	↓ -31%	2,475	↓ -2%
Nanning	69,442	↓ -65%	↓ -77%	752	↓ -38%	↓ -43%	438	↓ -36%	↓ -43%	5,185	↑ 2%
<b>Western China</b>	<b>526,723</b>	<b>↓ -29%</b>	<b>↓ -46%</b>	<b>2,647</b>	<b>↓ -27%</b>	<b>↓ -43%</b>	<b>1,925</b>	<b>↓ -6%</b>	<b>↓ -28%</b>	<b>18,621</b>	<b>↑ 9%</b>
<b>Total</b>	<b>4,711,626</b>	<b>-24%</b>	<b>-24%</b>	<b>24,978</b>	<b>-8%</b>	<b>-9%</b>	<b>14,942</b>	<b>-4%</b>	<b>-4%</b>	<b>142,045</b>	<b>48%</b>
Num. of cities Up		5	11		17	15		19	18		36
Num. of cities Down		37	31		25	27		23	24		6

Source: Local governments, CWSI Research; Note: Till 2021/6/18

**Table 9: Major cities inventory period was 42.3 months this week**

City	Inventory (sqm 000)	wow	yoy	Inventory period	Last week	wow	yoy
Beijing	11,920	1%	-3%	13.6	13.2	2%	-38%
Shanghai	5,786	7%	-21%	3.7	3.7	1%	-35%
Guangzhou	8,618	0%	9%	11.2	10.1	11%	26%
Shenzhen	1,954	1%	-9%	7.2	7.0	3%	17%
<b>Tier 1 Average</b>		<b>2%</b>	<b>-6%</b>	<b>8.9</b>	<b>8.5</b>	<b>4%</b>	<b>-8%</b>
Hangzhou	2,371	12%	-36%	1.6	1.4	15%	-52%
Nanjing	6,837	0%	19%	5.9	5.5	8%	-3%
Suzhou	8,423	1%	27%	6.0	6.0	2%	51%
Fuzhou	6,680	0%	7%	11.5	10.7	7%	-72%
Nanning	8,942	3%	15%	11.9	9.0	32%	103%
Wenzhou	10,864	0%	0%	11.6	10.9	7%	43%
Quanzhou	6,811	0%	-5%	451.4	207.4	118%	1808%
Ningbo	3,138	4%	26%	5.6	4.6	22%	93%
Dongying	1,835	1%	31%	8.0	7.5	6%	353%
<b>Overall Average</b>		<b>2%</b>	<b>5%</b>	<b>42.3</b>	<b>22.8</b>	<b>18%</b>	<b>176%</b>

Source: Local governments, CWSI Research; Note: Till 2021/6/18; Average WoW and average YoY are defined as average change of each city

## 3.2 Second-hand house transaction and price data

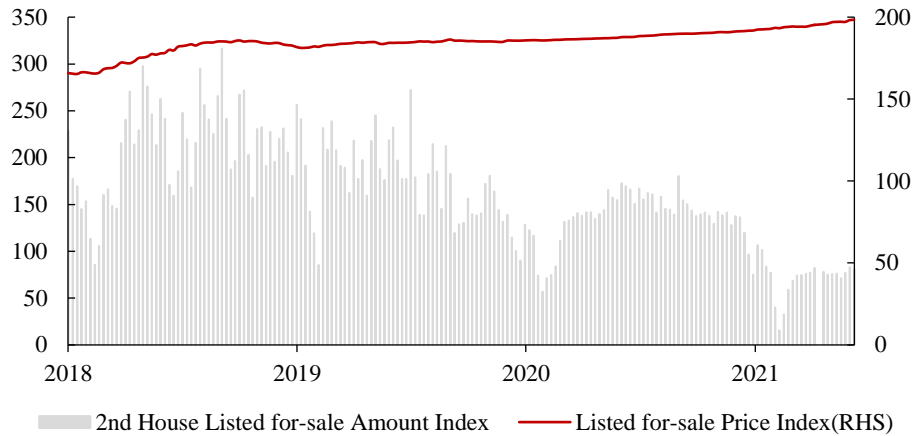
**Table 10: Major cities Second-hand house transaction volume, Xiamen and Beijing rose significantly YTD**

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	306,322	↓ -17%	↓ -25%	1,731	↓ -2%	↑ 5%	939	↑ 3%	↓ -5%	9,088	↑ 70%
Shenzhen	42,654	↓ -28%	↓ -81%	271	↓ -15%	↓ -71%	150	↓ -3%	↓ -75%	2,306	↓ -33%
Hangzhou	100,376	↓ -26%	↓ -33%	568	↓ -10%	↓ -11%	299	↓ -13%	↓ -21%	3,229	↑ 44%
Nanjing	185,864	↓ -26%	↓ -26%	1,032	↑ 51%	↓ -3%	602	↑ 525%	↓ -5%	4,995	↑ 32%
Chengdu	72,394	↓ -17%	↓ -40%	280	↓ -25%	↓ -50%	230	↑ 20%	↓ -34%	1,840	↓ -20%
Qingdao	115,695	↓ -26%	↓ -18%	658	↑ 4%	↑ 8%	390	↑ 18%	↑ 2%	3,177	↑ 52%
Wuxi	143,585	↓ -4%	↓ -9%	649	↑ 10%	↓ -10%	398	↑ 38%	↓ -9%	2,722	↑ 4%
Suzhou	106,838	↓ -35%	↓ -23%	654	↓ -14%	↑ 9%	369	↓ -4%	↓ -2%	3,705	↑ 54%
Xiamen	70,385	↓ -20%	↓ -28%	367	↓ -11%	↑ 4%	214	↑ 11%	↓ -10%	2,243	↑ 70%
Yangzhou	17,646	↓ -33%	↓ -33%	113	↓ -8%	↓ -5%	64	↓ -3%	↓ -13%	588	↑ 35%
Dongguan	25,920	↑ 8%	↓ -69%	121	↓ 0%	↓ -63%	70	↑ 18%	↓ -67%	776	↓ -32%
Nanning	14,942	↓ -53%	↓ -76%	131	↓ -14%	↓ -64%	77	↑ 44%	↓ -69%	789	↓ -24%
Foshan	122,082	↓ -17%	↓ -17%	632	↓ -11%	↓ -2%	372	↑ 8%	↓ -2%	3,499	↑ 67%
Jinhua	32,555	↓ -28%	↓ -20%	313	↓ -3%	↓ -14%	126	↓ -33%	↓ -39%	1,686	↑ 53%
Jiangmen	10,993	↓ -36%	↓ -46%	85	↑ 1%	↓ -8%	44	↑ 14%	↓ -18%	423	↑ 36%
<b>Total</b>	<b>1,368,251</b>	<b>-22%</b>	<b>-34%</b>	<b>7,605</b>	<b>-1%</b>	<b>-16%</b>	<b>4,342</b>	<b>19%</b>	<b>-22%</b>	<b>41,067</b>	<b>30%</b>
<b>Num. of cities Up</b>		<b>1</b>	<b>0</b>		<b>4</b>	<b>4</b>		<b>10</b>	<b>1</b>		<b>11</b>
<b>Num. of cities Down</b>		<b>14</b>	<b>15</b>		<b>11</b>	<b>11</b>		<b>5</b>	<b>14</b>		<b>4</b>

Source: Local governments, CWSI Research; Note: Till 2021/6/18

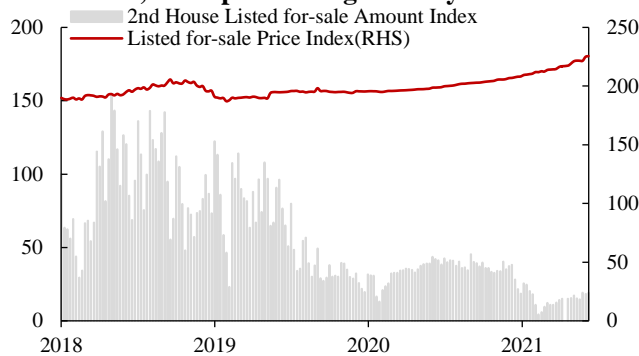


**Chart 17: 2nd house listed for-sale price index rose slightly recently**



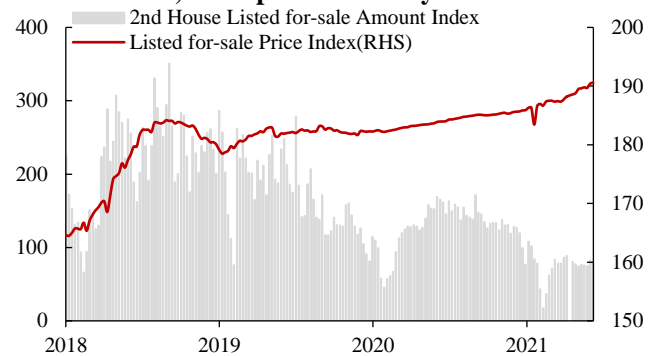
Source: Local Government, CWSI Research; Note: Till 2021/6/13

**Chart 18: 2nd house listed for-sale amount index rose in tier-1 cities, with price rising recently**



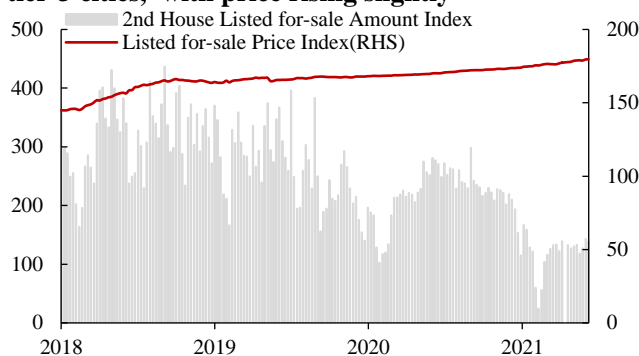
Source: Local Government, CWSI Research; Note: Till 2021/6/13

**Chart 19: 2nd house listed for sale amount index rose in tier-2 cities, with price relatively stable**



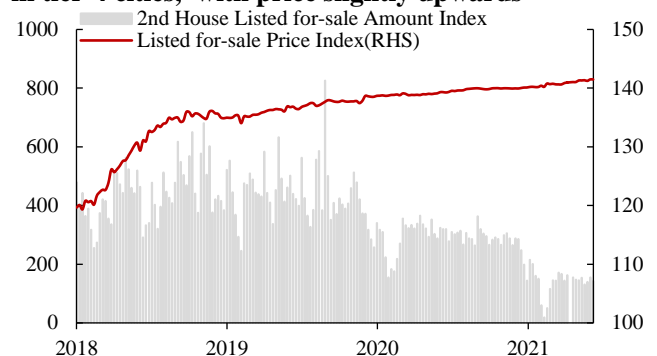
Source: Local Government, CWSI Research; Note: Till 2021/6/13

**Chart 20: 2nd house listed for-sale amount index rose in tier-3 cities, with price rising slightly**



Source: Local Government, CWSI Research; Note: Till 2021/6/13

**Chart 21: 2nd house listed for-sale amount index rose in tier-4 cities, with price slightly upwards**



Source: Local Government, CWSI Research; Note: Till 2021/6/13

## 4. Important Policies and News

### 4.1 Important Industry Policies News This Week

**Table 11: Important Industry Policies News This Week: The Shanghai Municipal Government’s executive meeting approved the “Shanghai REITs 20 measures”; the integrated development of the Yangtze River Delta received policy support again**

Date	Region / Institution	Summary
2021-06-15	Hangzhou, Jiaxing	The "Hangzhou-Jiaxing Integrated Cooperation Pilot Zone Construction Plan" was formally issued after the two cities of Hangzhou and Jiaxing agreed through consultation. The plan will be implemented until 2025.
2016-06-15	Yangtze River Delta	Zhejiang Province will continue to accelerate the integrated development of the Yangtze River Delta, and plans to start the construction of the Shanghai-Hangzhou-Ningbo Economic Innovation Zone.
2021-06-15	Wuxi	Jiangyin and Yixing should adhere to the positioning of "housing for living , not for speculation" and firmly grasp the goal of "stabilizing land prices, stabilizing housing prices, and stabilizing expectations" to carry out work.
2021-06-17	Shanghai	The Shanghai Municipal Government’s executive meeting approved the “Shanghai REITs 20 measures”, including the establishment of special funds, support for the Shanghai Stock Exchange to conduct business, support for public fund managers to conduct business, expansion of product investors, development of professional services, and strengthening of supporting policy support.

Source: Wind, Government website, CWSI Research

### 4.2 Company news and announcements

**Table 12: Company news and announcements: Aoyuan and Fantasia issued USD senior notes; Blackstone intends to acquire 91% of SOHO China's shares at the highest cash consideration of HKD 23.6 bn**

Date	Company	Summary
2021-06-15	Aoyuan	Issued USD 200 mn 7.95% senior notes due 2024.
2021-06-17	Fantasia	Issued USD 200 mn 14.5% senior notes due 2024.
2021-06-17	SOHO	Blackstone to offer HKD 5 per share for SOHO China, valuing the entire firm at HKD 23.6 bn or 31.6% above market price.

Source: Company announcements, CWSI Research

### 4.3 Key sales data of May 21

Table 13: 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%
Country Garden	2007.HK	249.8	21.2%	28210	14.9%	57.4	2.3%	6510	-2.1%
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%
COLI	0688.HK	155.4	35.8%	7676	22.4%	34.3	28.0%	1761	19.0%
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%
CR Land	1109.HK	126.1	59.5%	7216	58.9%	25.1	18.2%	1414	11.2%
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%
Zoina	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%
ZhenRo	6158.HK	69.2	69.3%	4188	55.6%	14.5	16.1%	902	8.6%
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%
Kaisa	1638.HK	54.0	99.5%	3273	99.1%	11.8	30.4%	737	22.1%
Aoyuan	3883.HK	52.6	58.0%	4592	41.2%	11.5	12.3%	969	4.5%
R&F	2777.HK	52.5	34.0%	3951	20.0%	12.2	8.0%	909	-3.0%
BJ Capital Development	600376.SH	51.3	57.8%	1572	41.8%	11.6	5.5%	376	10.4%
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	38.5%
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%
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%

Source: Wind, company announcements, CWSI Research; note: Country Garden, Logan and Kaisa in attributable scale





**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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