

This Week in China

Analysis of PE differentiation of PM companies

Topic of the week:

Industry competition has intensified, the macro environment has stabilized, and differences in growth have driven the division of valuations in the sector. In terms of industry, not all PM companies have the ability to enter the new tracks, and the competition on the existing track has become more intense, the growth of PM companies has further diverged. The current macro environment has recovered from the impact of the pandemic, and growth has become more critical for valuation. Under the influence of the above factors, the growth at the company level is more critical to the valuation of PM companies, and the difference in the growth expectations of various companies has led to the differentiation of the valuation trend.

The unexpected growth of some companies has boosted valuations. 1) Accelerated advancement of the 3rd-party outsourcing: COPL's outsourcing started late but is accelerating. While proposing a higher-than-previous growth target for the revenue-bearing GFA, it also shows the results of the 3rd-party outsourcing in 2020, and continued to successfully expand a number of domestic, Hong Kong and Macau properties in 2021. 2) Successful integration of mergers and acquisitions: Shimao Ser can standardize the output of "Shimao Standards", which drove the increase in net profit margins of mergers and acquisitions after the integration of projects and increased its own revenue-bearing GFA. Successful M&A history and the ongoing integration also boosted the company's valuation to a certain extent. 3) Related developers expand against the trend: Kaisa's resource endowment and C&D's financial resources enabled them to expand against the trend in the context of stricter policies in the real estate industry, driving the valuation of corresponding PM companies to increase.

The relatively high valuation of M&A in the industry has driven the revaluation of some small PM companies. In the current industry stage, the willingness of property companies to expand scale remains high, and leading PM companies are also actively expanding their scale through M&A. These include M&A of large-scale PM companies (such as CG Ser's acquisition of Justbon), and M&A of other business types of PM companies (such as Shimao Ser's acquisition of Shenxiong Environment). Judging from the M&As in 2021, the 2020 PE of the acquisition target is between 10-26x. The higher valuation of M&As also makes some PM companies face a certain value revaluation.

Data points:

As of Jun 25th, new house transaction area in 42 major cities this week increased 21% WoW, and cumulative transaction area in 2021 increased 44% YoY.

As of Jun 25th, saleable area (inventory) in 13 major cities this week remained the same WoW; average inventory period was 21.2 months, average WoW change was -7%.

As of Jun 25th, second-hand housing transactions in 15 major cities this week increased 24% WoW, and cumulative transaction area in 2020 increased 28% YoY.

Suggestion:

The recent tightening of housing loan quotas in some cities may have a certain inhibitory effect on subsequent sales in the corresponding regions, and will bring certain pressure on the cash collection of developers. In this environment, the second round of centralized land supply has been launched one after another, and the financial advantages of some state-owned enterprises, central enterprises and "green-tier" private enterprises may be further revealed. Maintain "Overweight" rating.

Overweight

(Maintain)

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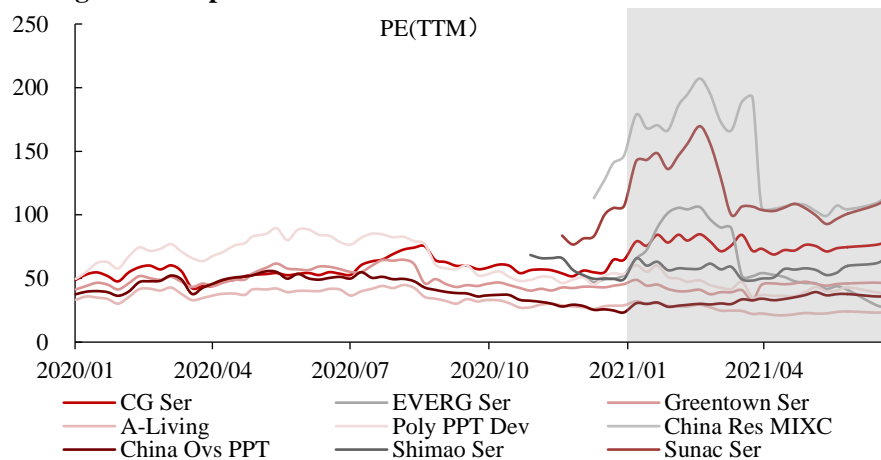
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1. Analysis of PE differentiation of PM companies

companies

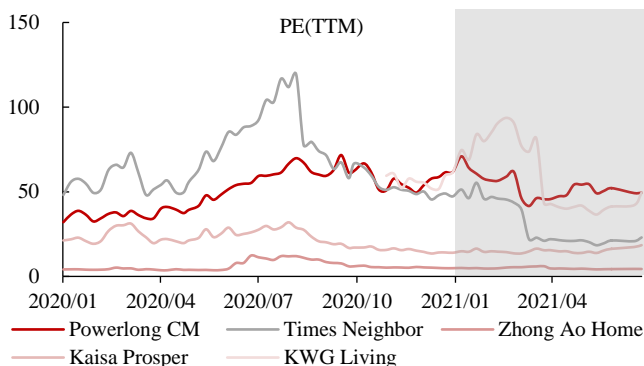
In 2020, the direction of valuation changes of PM companies of all sizes were more convergent. Since 2021, this consistency has declined. Why are the changes in property valuations differentiated?

Chart 1: At the beginning of 2021, the consistency of the valuation changes of some large PM companies has declined



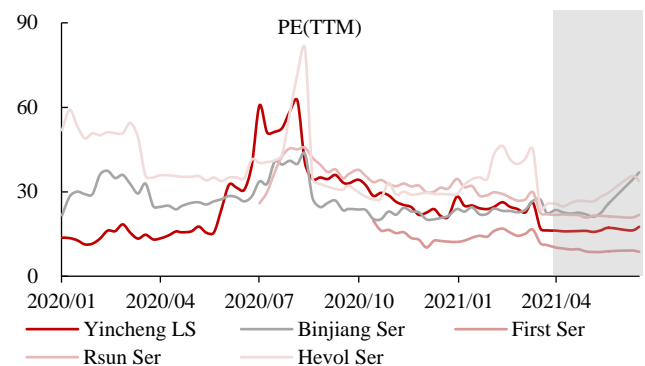
Source: Wind, CWSI Research

Chart 2: Since the beginning of this year, the valuation changes of some medium-sized PM companies have shown divergence



Source: Wind, CWSI Research

Chart 3: In recent months, the direction of valuation changes in some small PM companies has increased



Source: Wind, CWSI Research

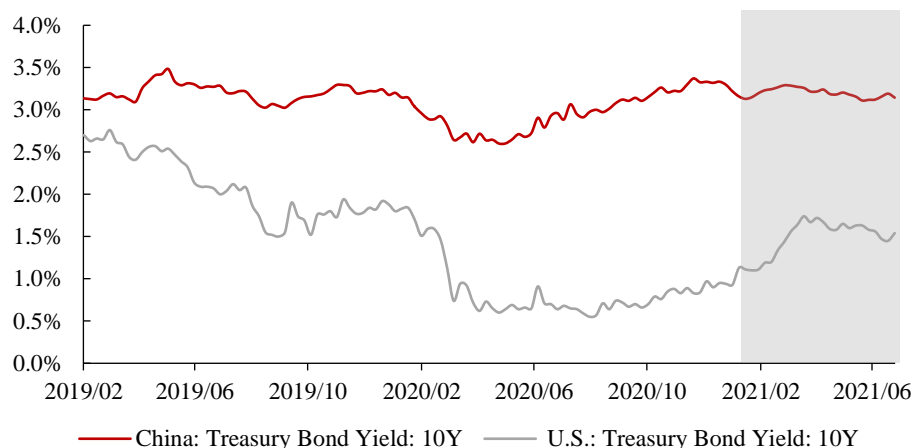
1.1 Industry competition has intensified, the macro environment has stabilized, and growth has become more critical

The industry space is still broad, but the growth differences of PM companies are further emerging. The service scope of PM companies include residential and non-residential properties. The incremental space for residential properties mainly comes from newly built houses. Under the trend of slowing population growth, the increase in new housing may be relatively stable. The non-residential properties has been affirmed by the market with the listing of some characteristic PM companies (commercial, urban services, etc.), and more PM companies are gradually covering new tracks. However, not all PM companies have the ability to enter the new tracks (for example, not all PM companies can successfully merge and integrate some non-residential PM companies, and some PM companies do not have the service capabilities to adapt to the new track, etc.). Competition on the existing track has also become more intense. Therefore, the differences in the growth of each company has further intensified and is reflected in valuations and stock prices.

Under the background of great changes in the macro-environment, valuation trends of similarly-sized property companies are converging. The large fluctuations in the macro economy have made the sustainability of business models more valued, and the homogeneity of basic property management businesses is relatively high. Under this environment, the valuation trends of similarly-sized property companies are converging.

The economic environment has stabilized, and the differences in the growth of property companies have driven the division of internal valuations in the sector. The current macro environment has recovered from the impact of the pandemic. The domestic 10Y Treasury bond interest rate has remained stable, and the U.S. 10Y Treasury bond yield has stabilized after rebounding in 1H2021. Company-level growth is becoming more critical to the valuation of PM companies, and the convergent trend in 2020 no longer continued.

Chart 4: The domestic interest rate environment is stable in 1H2021, and the interest rate of the U.S. 10-year Treasury bond stabilizes after a significant increase



Source: Wind, CWSI Research

1.2 What are the reasons for the increase in valuation of some PM companies?

Since the beginning of this year, the increase in the valuation of some PM companies is mainly due to: 1) higher-than-expected growth; 2) value revaluation driven by high M&A valuations.

All expansion channels may bring unexpected growth. The expansion methods of PM companies mainly include: 1) expansion of related developers. 2) Mergers and acquisitions, more and more PM companies go public for financing, and a considerable proportion of the proceeds from listing are used for mergers and acquisitions, which also makes the competition in the M&A market more intense. 3) 3rd-party expansion, with low expansion cost, since participation in bidding does not need to pay a large amount of money as the developers do during land acquisition. Among the above three expansion methods, the certainty of the delivery of related developers is the strongest, and under the current industry policy environment, the willingness of the developers to expand has declined overall. Relatively speaking, M&A and 3rd-party outsourcing are more likely to bring about higher expectations. Larger PM companies have more advantages in acquiring funds, and Whether it is a large-scale or small- and medium-sized PM company, it is possible that the valuation increases rapidly due to the successful 3rd-party outsourcing.

The 3rd-party outsourcing has accelerated, and growth expectations have been raised. Taking COPL as an example, in the 2020 result period, COPL, Greentown Ser, and Kaisa Prosper achieved the largest increase on the day of the result presentation, rising by 25.49%, 22.14%, and 26.58% respectively. The sharp rise was mainly due to

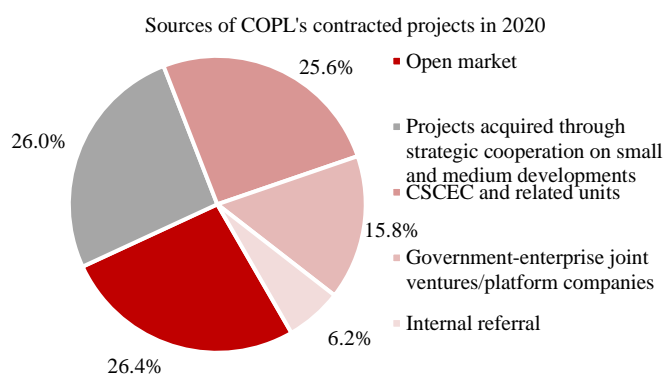
the faster-than-expected growth plan in future growth. Although many PM companies put forward high-speed growth targets, the growth targets of the above three companies were much higher from expectations, which drove the increase in stock prices. As of June 25, the share prices of the three companies are quite different. Year-to-date, COPL, Kaisa Prosper, and Greentown Ser have increased by 102.3%, 69.2%, and 22.4%, respectively. The difference in the stock price changes of the three companies is partly due to the visibility of achieving growth targets: COPL, as a PM company with a late start in 3rd-party expansion, put forward the target of growth in the revenue-bearing GFA in the 2020 result presentation, and also showed that the 3rd-party expansion results in 2020. In the months after the results were announced, it continued to successfully expand 3rd-party projects. For example, from January to April in 2021, the contracted value and contracted GFA of new 3rd-party expansion both achieved multiple growth YoY, and the expansion of 3 Hong Kong Government projects in June properties and its Macau company have successively won bids for multiple business management service contracts, etc. The visible fulfillment of the result target has driven the continuous increase in the valuation of COPL.

Table 1: Greentown Ser, COPL, and Kaisa Meihao have all proposed performance targets that are much higher than the previous growth rate in the performance meeting

Company	Target
Greentown Ser	Achieve 5 times revenue in 2025 (corresponding to a 5-year CAGR of 38.0%; 2020 revenue +17.8% YoY)
China Ovs PPT	The revenue-bearing GFA in the next 5 years will meet the growth rate of not less than 30% each year (the revenue-bearing GFA +20.4% YoY as of end-2020)
Kaisa Prosper	The revenue-bearing GFA will exceed 100 mn sqm by the end of 2021, and 240 mn sqm by the end of 2023 (57.49 mn sqm as of end-2020)

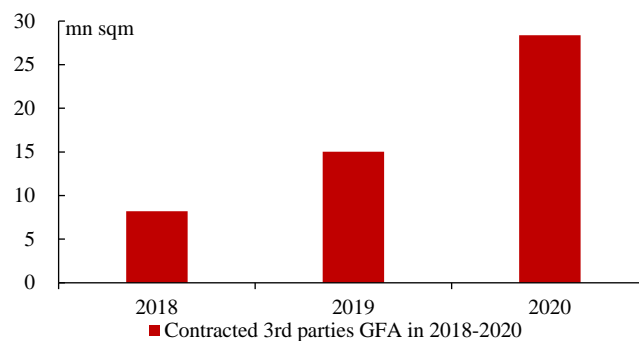
Source: Company results presentations, CWSI Research

Chart 5: COPL has developed various external expansion channels



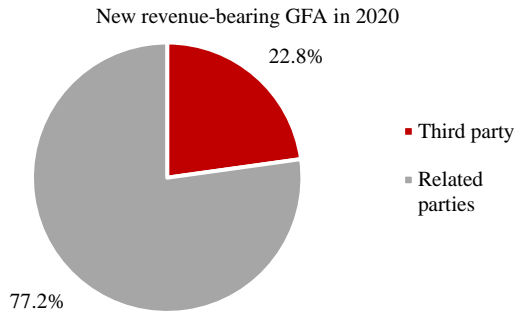
Source: Company announcement, CWSI Research

Chart 6: In 2020, COPL's 3rd-party expansion GFA increased significantly



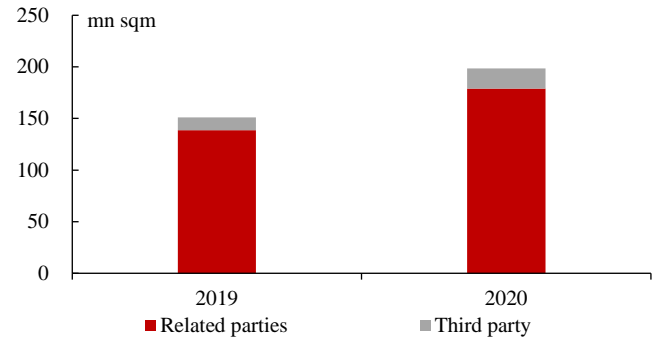
Source: Company announcement, CWSI Research

Chart 7: In 2020, 23% of COPL's new revenue-bearing GFA came from 3rd parties



Source: Company announcement, CWSI Research

Chart 8: COPL's 3rd-party revenue-bearing GFA increased



Source: Company announcement, CWSI Research

Table 2: COPL's expansion is steadily advancing in 2021

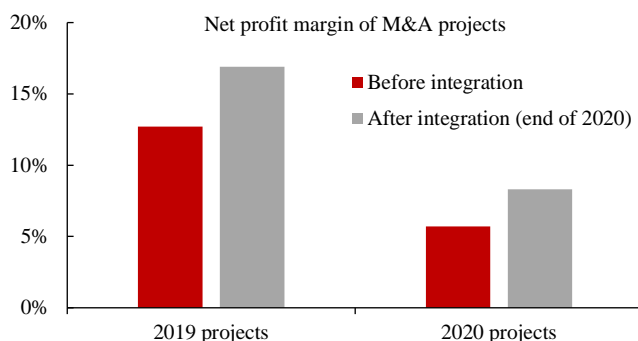
Time	3rd Party Projects Expansion
Early 2021	Shenzhen Lianhuashan Park, Shenzhen Bay Park, Yinhushan Park, Tanglangshan Park
Early 2021	Nanjing Zijin Yuefeng Plaza Complex
2021-03	Shanghai Wanyuanjiezuo Project, Zhangjiagang Yonglian Village Yongxiang Park & Yongcui Park Project
2021-04	Macau Taicheng Ecological Protection Park, Jicheng Industrial Building and other business management service contracts
2021-04	All 13 court security service contracts in Hong Kong Judiciary
2021-04	Suzhou Su Gaoxin Yiyang Property Service Project
2021-04	Shentong Express Zhejiang Jinhua and Wenzhou Park
2021-06	Building Management Service Contract for the Architectural Services Department Headquarters under the Hong Kong Development Council
2021-06	The security service contract of the Penny's Bay Quarantine Center under the Hong Kong Department of Health, and the security service contract of the Social Welfare Department under the Hong Kong Labour and Welfare Bureau

Source: Company Wechat, CWSI Research

Outstanding mergers and acquisitions and integration capabilities have led to an increase in valuation. The key considerations for mergers and acquisitions of PM companies are valuation and integration. Shimao Ser has performed outstandingly in mergers and acquisitions. From July 2019 to the end of December 2020, Shimao Ser has acquired 12 PM companies (increasing the contracted GFA of 89.6 mn sqm in total), and reproduced "Shimao Standards" through post-acquisition organizational structure adjustments, standardized replication, etc., successfully make mergers and acquisitions an effective expansion model: the net profit margin of M&A projects has increased after the integration, M&A and other channels has driven a YoY increase of 114.3% in

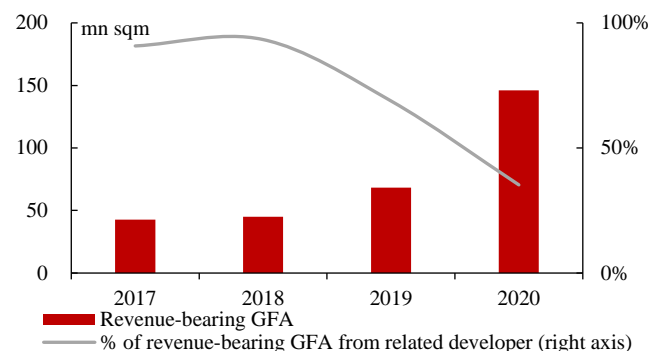
revenue-bearing GFA in 2020, and the proportion of the revenue-bearing GFA from related parties dropped from 93.3% in 2018 to 35.2% in 2020. In 2021, Shimao Ser also actively expand its scale and management scope through this model, and acquired PM companies such as Shengxiong Environment and Yefeng Property. At the current stage, M&A is an important channel for PM companies to increase their market share. The successful integration history and continuous merger have also boosted the company's valuation to a certain extent.

Chart 9: Shimao Ser has excellent M&A integration capabilities



Source: Company announcement, CWSI Research

Chart 10: M&A and other channels have driven the rapid increase in revenue-bearing GFA



Source: Company announcement, CWSI Research

Related developers expanded against the trend and boosted the valuation of PM companies. Under the rules of the “three red lines”, the concentration of housing-related loans in the banking industry, and centralized land supply, developers are facing certain pressures in terms of financial leverage, cash collections, and expansion. Generally speaking, the expansion of developers may slow down. In this environment, Kaisa's resource endowment has laid the foundation for its scale growth. In recent years, urban renewal projects have continued to be converted steadily. It is estimated that the converted GFA will be about 4.2 mn sqm and the salable value will exceed RMB 200 bn in 2021-2022. Similarly, the rich financial and land resource endowments of C&D also enable it to remain calm in the competition for centralized land supply. It ranks 6th in the land acquisition amount in the first 5 months according to CREIS. The growth expectations and valuation levels of C&D Property have brought a boost.

Table 3: The conversion of Kaisa Group's urban renewal projects facilitates expansion against the trend and boosts Kaisa Prosper's valuation

Year	Estimated saleable area (mn sqm)	Estimated saleable value (RMB bn)
2019	0.79	34.7
2020	1.80	63.9
2021-2022E	4.20	202.8

Source: Company announcement, CWSI Research

Table 4: C&D is rich in finance and land resources, and it is relatively calm to invest and expand

Ranking	Company	Land acquisition amount from Jan to May 2021 (RMB bn)
1	Vanke	70.9
2	CMSK	63.8
3	PRE	62.3
4	CR Land	60
5	GreenTown	56.5
6	C&D	53.1
7	Sunac	51.3
8	Country Garden	36.6
9	Gemdale	34
10	Longfor	33.4

Source: Wind, CREIS, CWSI Research

The relatively high valuation of mergers and acquisitions in the industry has driven the revaluation of some small PM companies. In the current industry stage, the willingness of property companies to expand scale remains high, and leading PM companies are also actively expanding their scale through M&A. These include M&A of large-scale PM companies (such as CG Ser' acquisition of Justbon), and M&A of other business types of PM companies (such as Shimao Ser' acquisition of Shenxiong Environment). Judging from the M&As in 2021, the 2020 PE of the acquisition target is between 10-26x. The higher valuation of M&As also makes some PM companies face a certain value revaluation.

Table 5: In some cases of M&A of PM companies in 2021, the 2020 PE is between 10-26 times

Company	M&A Target	Time	Equity ratio	Cost (RMB 100 mn)	Net profit 2019 (RMB 100 mn)	2019 PE	Net profit 2020 (RMB 100 mn)	2020 PE
Sunac Ser	Zhangtai Service	2021-04	80%	7.30	0.52	17.7	0.83	11.0
Rsun Ser	Jiangsu Gaoli Property	2021-04	100%	0.74	0.05	15.8	0.07	10.1
Shimao Ser	Shenxiong Environment	2021-04	67%	4.39	0.13	50.4	0.55	12.0
Longfor	Yida Property	2021-03	100%	12.73	0.33	38.8	0.49	26.1
CG Ser	Justbon	2021-02	71%	54.32	4.44	17.2	5.50	13.9
KWG Living	Cedar Technology	2021-01	80%	13.16	0.73	22.4	-	-
EVERG Ser	Ningbo Yatai Hotel Property	2021-01	100%	15.00	0.27	55.8	0.78	19.1

Source: Wind, CWSI Research

1.3 Summary: Why is the valuation trend of PM companies differentiated?

The industry space is still broad, but the growth differences of PM companies are further emerging. The non-residential properties has been affirmed by the market, but not all PM companies have the ability to enter the new tracks. Competition on the existing track has also become more intense. Therefore, the differences in the growth of each company has further intensified and is reflected in valuations and stock prices.

Changes in the macro environment affect valuation leading factors. In terms of industry, not all PM companies have the ability to enter the new tracks, and the competition on the existing track has become more intense, the growth of PM companies has further diverged. The current macro environment has recovered from the impact of the pandemic, and growth has become more critical for valuation.

The unexpected growth of some companies has boosted valuations. 1) Accelerated advancement of the 3rd-party outsourcing: COPL's outsourcing started late but is accelerating. While proposing a higher-than-previous growth target for the revenue-bearing GFA, it also shows the results of the 3rd-party outsourcing in 2020, and continued to successfully expand a number of domestic, Hong Kong and Macau properties in 2021. 2) Successful integration of mergers and acquisitions: Shimao Ser can standardize the output of "Shimao Standards", which drove the increase in net profit margins of mergers and acquisitions after the integration of projects and increased its own revenue-bearing GFA. Successful M&A history and the ongoing integration also boosted the company's valuation to a certain extent. 3) Related developers expand against the trend: Kaisa's resource endowment and C&D's financial resources enabled them to expand against the trend in the context of stricter policies in the real estate industry, driving the valuation of corresponding PM companies to increase.

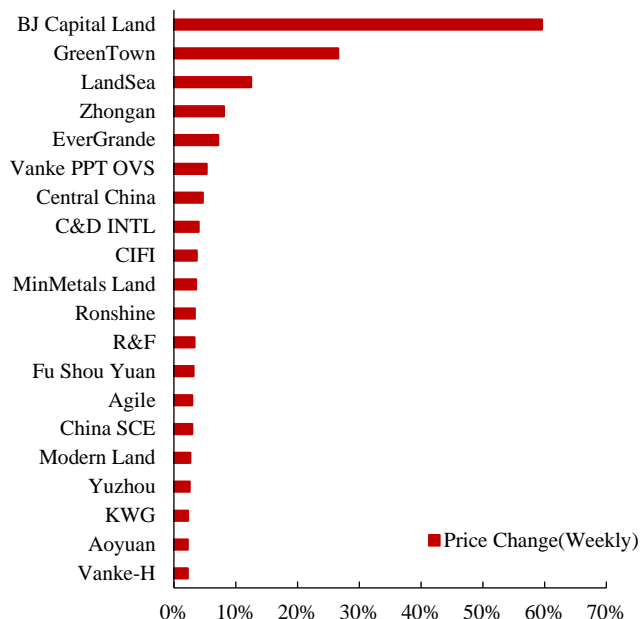
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2. Sector Performance

2.1 Performance of developer sector

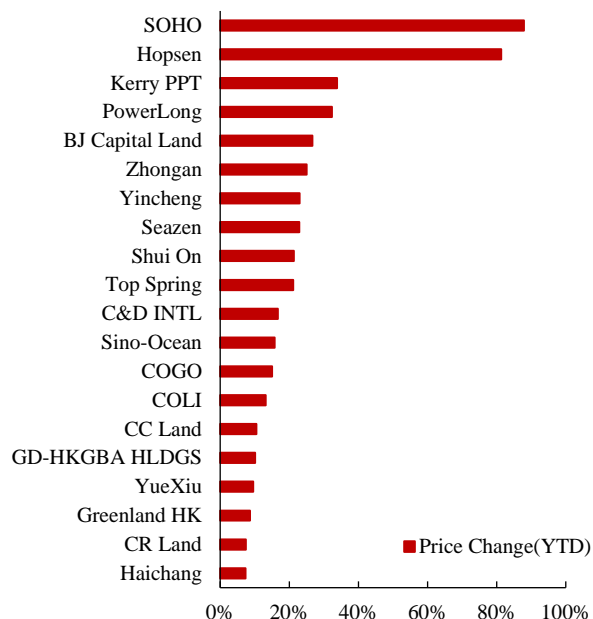
This week, BJ Capital Land, GreenTown and LandSea had larger price increase than peers. SOHO, Hopsen and Kerry PPT had better share price performance, YTD.

Chart 11: This week, BJ Capital Land, GreenTown and LandSea had larger price increase than peers



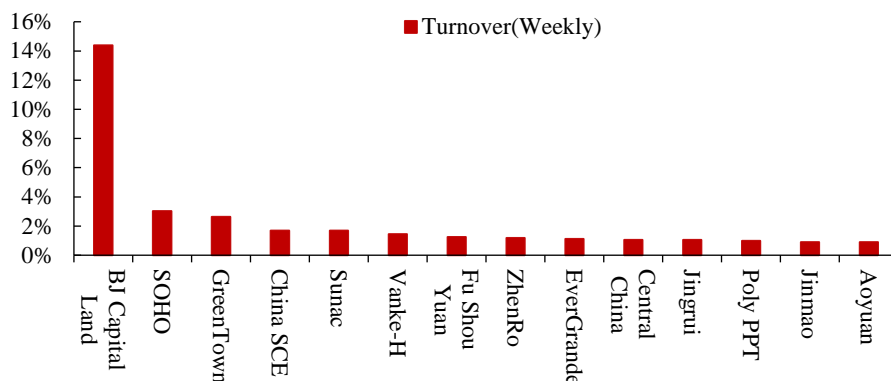
Source: Wind, CWSI Research

Chart 12: SOHO, Hopsen and Kerry PPT had better share price performance, YTD



Source: Wind, CWSI Research

Chart 13: BJ Capital Land, SOHO and GreenTown were most actively traded this week

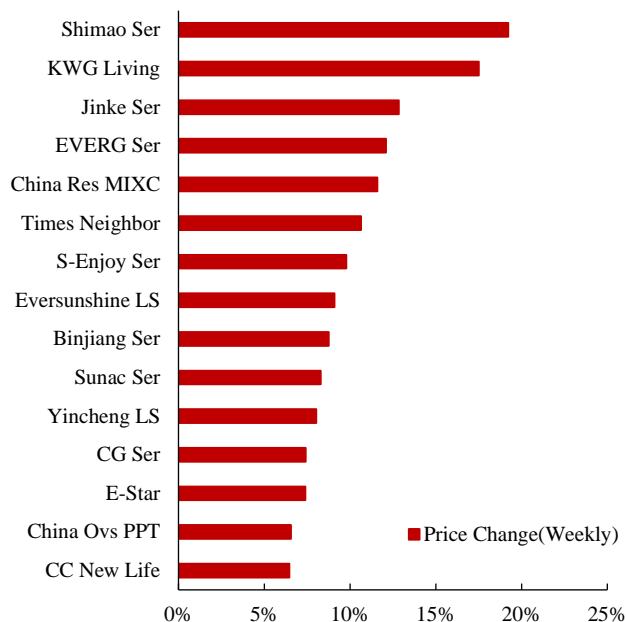


Source: Wind, CWSI Research

2.2 Performance of property management sector

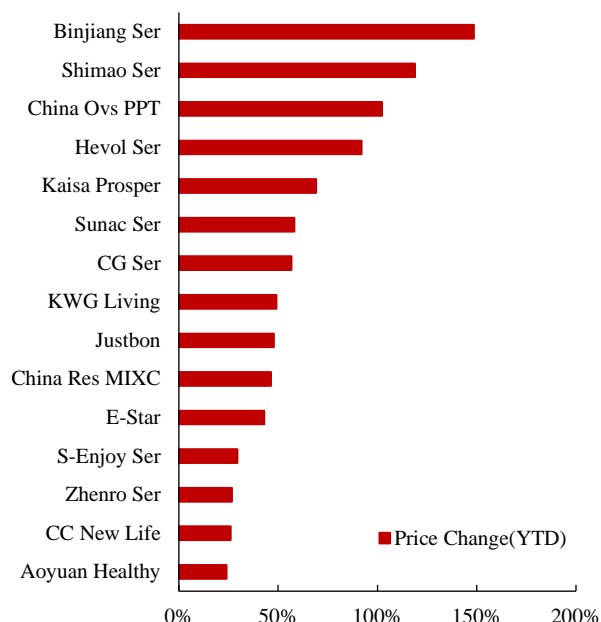
This week, Shimao Ser, KWG Living and Jinke Ser had larger price increase than peers. Binjiang Ser, Shimao Ser and China Ovs PPT had better share price performance YTD.

Chart 14: This week, Shimao Ser, KWG Living and Jinke Ser had larger price increase than peers



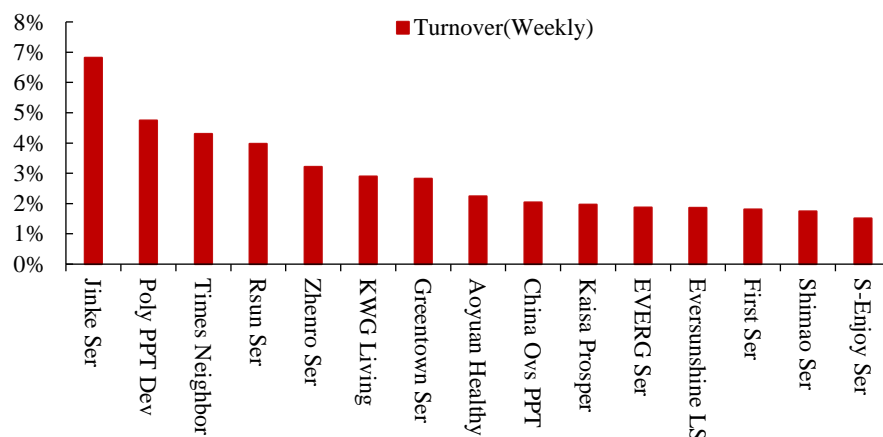
Source: Wind, CWSI Research

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



Source: Wind, CWSI Research

Chart 16: Jinke Ser, Poly PPT Dev 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 6: Major cities new house transactions volume increased 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	344,477	90%	171%	1,049	36%	83%	998	83%	100%	4,742	89%
Shanghai	372,100	11%	30%	1,624	42%	27%	1,439	68%	43%	7,897	60%
Guangzhou	321,053	136%	8%	871	-22%	-12%	680	-18%	-15%	6,456	91%
Shenzhen	75,384	39%	10%	285	17%	-18%	235	13%	-20%	2,422	50%
Tier 1	1,113,014	57%	43%	3,829	17%	20%	3,352	37%	29%	21,516	73%
Tier 2	3,034,495	31%	0%	12,740	3%	0%	10,430	1%	1%	69,056	46%
Tier 3	2,190,988	13%	-31%	9,378	-9%	-22%	7,745	-7%	-20%	58,059	34%
Beijing	344,477	↑90%	↑171%	1,049	↑36%	↑83%	998	↑83%	↑100%	4,742	↑89%
Qingdao	392,514	↑35%	↓-13%	1,486	↑5%	↓-8%	1,197	↑9%	↓-10%	7,710	↑26%
Jinan	345,970	↑26%	↑22%	1,353	↓-4%	↑15%	1,098	↑0%	↑16%	5,972	↑28%
Dongying	72,219	↑52%	↓-20%	259	↑31%	↓-63%	219	↑31%	↓-63%	1,346	↓-35%
PBR	1,155,181	↑46%	↑21%	4,146	↑9%	↑2%	3,512	↑21%	↑4%	19,769	↑29%
Shanghai	372,100	↑11%	↑30%	1,624	↑42%	↑27%	1,439	↑68%	↑43%	7,897	↑60%
Nanjing	378,381	↑67%	↑243%	1,203	↓-18%	↑39%	1,074	↓-17%	↑43%	7,709	↑91%
Hangzhou	194,915	↓-4%	↓-6%	1,369	↑17%	↑22%	986	↑1%	↑2%	6,413	↑64%
Suzhou	453,890	↑113%	↓-20%	1,499	↑37%	↓-23%	1,202	↑36%	↓-7%	5,931	↑20%
Wuxi	-	-	-	570	↓-12%	↓-5%	380	↓-41%	↓-1%	3,143	↑33%
Yangzhou	65,046	↓-3%	↓-3%	260	↑7%	↑11%	260	↑8%	↑11%	1,662	↑75%
Jiangyin	50,371	↓-16%	↓-53%	321	↓-9%	↓-15%	214	↓-16%	↓-27%	1,743	↑41%
Wenzhou	138,390	↑15%	↓-65%	870	↑0%	↓-32%	630	↓-1%	↓-35%	4,918	↑38%
Jinhua	50,496	↑9%	↑8%	224	↑13%	↓-9%	185	↑13%	↓-5%	1,452	↑69%
Changzhou	33,536	↑18%	↓-71%	191	↓-17%	↓-48%	148	↓-20%	↓-54%	1,254	↓-8%
Huaian	69,892	↑33%	↓-45%	317	↓-15%	↓-37%	285	↑0%	↓-35%	2,875	↑45%
Lianyungang	121,529	↑5%	↑14%	647	↑3%	↑15%	527	↑5%	↑10%	4,603	↑77%
Shaoxing	46,251	↓-38%	↓-8%	154	↓-55%	↓-50%	139	↓-55%	↓-47%	1,260	↑15%
Zhenjiang	137,419	↑19%	↓-8%	570	↓-16%	↓-49%	461	↓-13%	↓-3%	3,576	↑40%
Jiaxing	22,201	↓-34%	↓-85%	140	↓-6%	↓-68%	134	↑8%	↓-67%	860	↓-26%
Wuhu	225,684	↑122%	↑380%	629	↓-14%	↑224%	538	↓-8%	↑232%	4,028	↑408%
Yancheng	23,004	↓-87%	↓-80%	294	↑123%	↑6%	274	↑245%	↑26%	1,985	↑21%
Zhoushan	17,653	↓-28%	↓-52%	108	↓-39%	↓-32%	79	↓-46%	↓-35%	711	↑17%
Chizhou	16,439	↑28%	↑3%	74	↓-35%	↑7%	67	↓-30%	↑10%	548	↑38%
Ningbo	188,818	↑103%	↑60%	614	↓-18%	↓-26%	565	↓-16%	↓-16%	4,317	↑46%
YRD	2,606,016	↑14%	↓-12%	11,675	↑2%	↓-5%	9,586	↑1%	↓-1%	66,885	↑52%
Guangzhou	321,053	↑136%	↑8%	871	↓-22%	↓-12%	680	↓-18%	↓-15%	6,456	↑91%
Shenzhen	75,384	↑39%	↑10%	285	↑17%	↓-18%	235	↑13%	↓-20%	2,422	↑50%
Fuzhou	112,461	↓-13%	↑475%	544	↓-5%	↑282%	472	↓-12%	↑332%	2,588	↑194%
Dongguan	238,205	↑123%	↓-12%	543	↑55%	↓-24%	454	↑49%	↓-24%	2,583	↑15%
Quanzhou	28,436	↑2043%	↓-47%	39	↓-65%	↓-87%	35	↓-65%	↓-85%	628	↓-25%
Putian	52,060	↑1%	↑72%	208	↑13%	↑21%	181	↑24%	↑47%	1,121	↑62%
Huizhou	46,258	↑5%	↓-57%	309	↑45%	↓-2%	265	↑66%	↓-2%	1,471	↑47%
Shaoguan	26,505	↑42%	↓-37%	102	↓-32%	↓-42%	76	↓-30%	↓-42%	707	↓-9%
Foshan	270,189	↑79%	↓-30%	863	↓-29%	↓-36%	735	↓-32%	↓-32%	6,185	↑23%
Zhaoqing	34,728	↑56%	↓-46%	140	↓-36%	↓-44%	103	↓-41%	↓-48%	1,235	↑25%
Jiangmen	57,963	↑142%	↑71%	158	↑9%	↑17%	133	↓-2%	↑27%	889	↑64%
PRD & Southern China	1,263,243	↑71%	↓-8%	4,061	↓-10%	↓-17%	3,369	↓-11%	↓-14%	26,284	↑46%
Taian	42,367	↓-12%	↓-10%	210	↓-13%	↓-8%	176	↓-12%	↓-8%	1,337	↑52%
Northern China	42,367	↓-12%	↓-10%	210	↓-13%	↓-8%	176	↓-12%	↓-8%	1,337	↑52%
Wuhan	486,857	↑19%	↓-5%	2,271	↓-6%	↑70%	1,809	↓-5%	↑45%	11,929	↑153%
Yueyang	49,188	↓-25%	↑8%	240	↑32%	↑22%	205	↑37%	↑34%	1,040	↑19%
Baoji	68,764	↓-9%	↓-10%	309	↓-25%	↓-19%	261	↓-22%	↓-18%	2,082	↑63%
Central China	604,809	↑10%	↓-5%	2,820	↓-6%	↑47%	2,275	↓-5%	↑32%	15,051	↑119%
Chengdu	390,266	↑1%	↑13%	1,887	↑33%	↓-18%	1,655	↑44%	↓-15%	11,351	↑17%
Liuzhou	78,428	↓-9%	↓-79%	391	↓-7%	↓-60%	317	↓-4%	↓-54%	2,571	↓-11%
Nanning	198,187	↑185%	↓-29%	755	↓-31%	↓-41%	636	↓-27%	↓-39%	5,383	↑0%
Western China	666,881	↑23%	↓-33%	3,033	↑3%	↓-33%	2,609	↑11%	↓-29%	19,305	↑7%
Total	6,338,496	28%	-9%	25,946	0%	-7%	21,526	2%	-5%	148,630	44%
Num. of cities Up		29	16		18	15		19	15		36
Num. of cities Down		12	25		24	27		23	27		6

Source: Local governments, CWSI Research; Note: Till 2021/6/25

Table 7: Major cities inventory period was 21.2 months this week

City	Inventory (sqm 000)	wow	yoy	Inventory period	Last week	wow	yoy
Beijing	11,776	-1%	-5%	11.2	13.6	-17%	-48%
Shanghai	5,801	0%	-20%	3.6	3.7	-4%	-37%
Guangzhou	8,714	1%	8%	10.0	11.2	-11%	22%
Shenzhen	1,859	-5%	-11%	6.5	7.2	-9%	8%
Tier 1 Average		-1%	-7%	7.8	8.9	-10%	-14%
Hangzhou	2,215	-7%	-42%	1.6	1.6	0%	-52%
Nanjing	7,077	4%	-	5.9	5.9	-1%	-
Suzhou	8,381	0%	24%	5.6	6.0	-7%	61%
Fuzhou	6,729	1%	6%	12.4	11.5	7%	-72%
Nanning	9,017	0%	16%	11.9	12.0	0%	94%
Wenzhou	11,077	2%	-6%	12.7	11.4	12%	39%
Quanzhou	6,873	1%	-6%	178.3	443.5	-60%	626%
Ningbo	3,229	3%	-1%	5.3	5.6	-5%	34%
Dongying	1,837	0%	33%	7.1	7.7	-8%	258%
Overall Average		0%	0%	20.9	41.6	-8%	78%

Source: Local governments, CWSI Research; Note: Till 2021/6/25; Average WoW and average YoY are defined as average change of each city

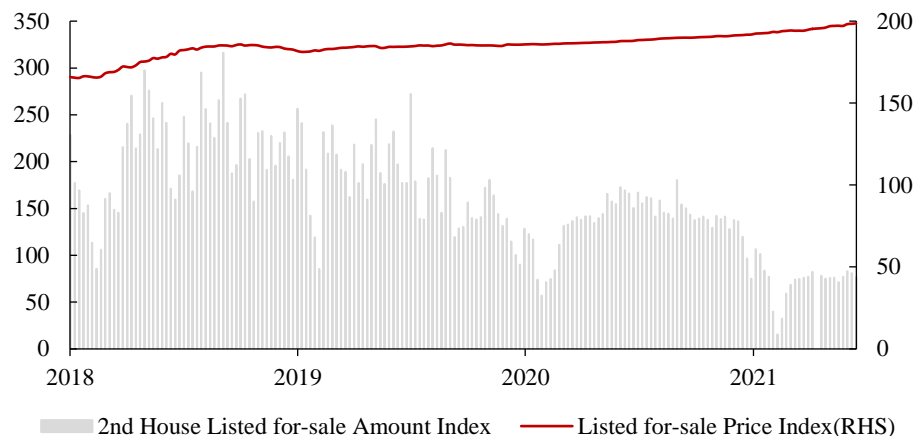
3.2 Second-hand house transaction and price data

Table 8: Major cities Second-hand house transaction volume, Beijing and Xiamen 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	416,789	↑ 36%	↑ 41%	1,678	↓ -5%	↑ 7%	1,355	↓ -2%	↑ 5%	9,505	↑ 68%
Shenzhen	54,516	↑ 28%	↓ -72%	250	↓ -9%	↓ -73%	204	↓ -11%	↓ -74%	2,360	↓ -35%
Hangzhou	111,788	↑ 11%	↓ -20%	532	↓ -13%	↓ -14%	410	↓ -17%	↓ -21%	3,340	↑ 40%
Nanjing	226,926	↑ 22%	↑ 26%	997	↑ 63%	↑ 2%	829	↑ 131%	↑ 2%	5,221	↑ 32%
Chengdu	82,677	↑ 14%	↓ -19%	361	↑ 37%	↓ -32%	312	↑ 62%	↓ -31%	1,923	↓ -20%
Qingdao	146,390	↑ 27%	↑ 3%	633	↑ 1%	↑ 4%	536	↑ 7%	↑ 2%	3,324	↑ 49%
Wuxi	199,213	↑ 39%	↑ 85%	700	↑ 26%	↑ 8%	597	↑ 36%	↑ 10%	2,921	↑ 7%
Suzhou	107,407	↑ 1%	↓ -12%	575	↓ -21%	↓ -2%	476	↓ -17%	↓ -5%	3,813	↑ 51%
Xiamen	89,492	↑ 27%	↑ 12%	364	↓ -3%	↑ 4%	303	↑ 6%	↓ -5%	2,333	↑ 66%
Yangzhou	27,601	↑ 20%	↑ 16%	116	↓ -4%	↑ 2%	97	↑ 1%	0%	621	↑ 35%
Dongguan	43,760	↑ 69%	↓ -35%	131	↑ 17%	↓ -59%	114	↑ 23%	↓ -60%	820	↓ -32%
Nanning	34,624	↑ 132%	↓ -44%	125	↓ -8%	↓ -67%	111	↑ 19%	↓ -64%	824	↓ -25%
Foshan	141,465	↑ 16%	↑ 2%	603	↓ -12%	↓ -4%	514	↓ 0%	↓ -1%	3,641	↑ 63%
Jinhua	50,647	↑ 13%	↑ 18%	233	↓ -39%	↓ -24%	189	↓ -43%	↓ -24%	1,749	↑ 52%
Jiangmen	19,009	↑ 24%	↓ -3%	83	↓ -4%	↓ -6%	68	↑ 6%	↓ -8%	447	↑ 35%
Total	1,752,305	26%	2%	7,381	1%	-15%	6,116	8%	-16%	42,841	28%
Num. of cities Up		15	8		5	6		9	4		11
Num. of cities Down		0	7		10	9		6	11		4

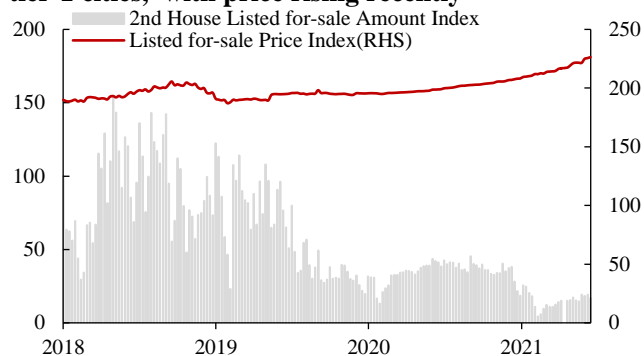
Source: Local governments, CWSI Research; Note: Till 2021/6/25

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



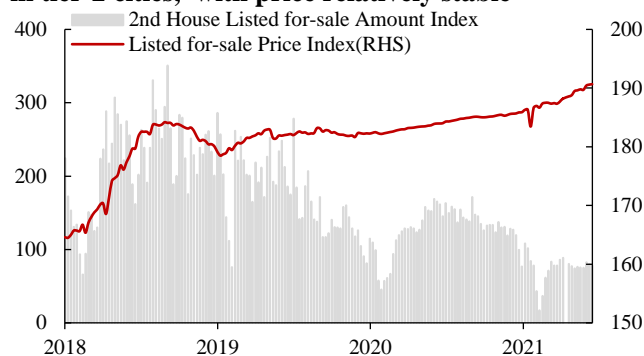
Source: Local Government, CWSI Research; Note: Till 2021/6/20

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



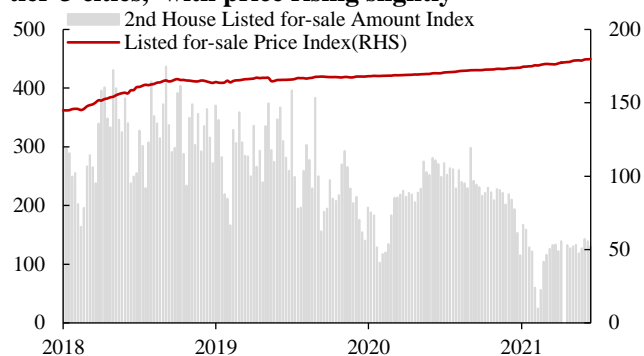
Source: Local Government, CWSI Research; Note: Till 2021/6/20

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



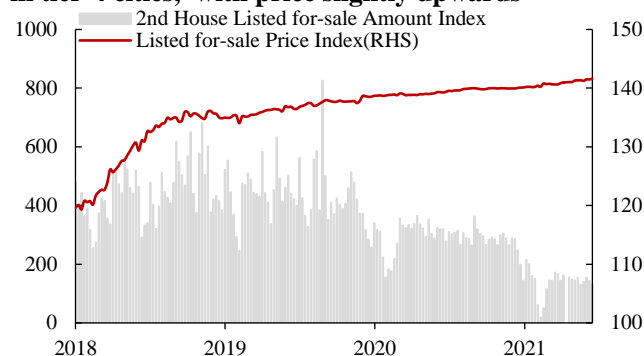
Source: Local Government, CWSI Research; Note: Till 2021/6/20

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 2021/6/20

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 2021/6/20

4. Important Policies and News

4.1 Important Industry Policies News This Week

Table 9: Important Industry Policies News This Week: Qingdao will relax restrictions on settlement in cities and towns; NDRC passed the “Fuzhou Metropolitan Area Development Plan”

Date	Region / Institution	Summary
2021-06-21	Qingdao	Will relax restrictions on settlement in cities and towns, and establish and improve a multi-subject housing system.
2021-06-22	Shanghai	Will build a sample city for cultural and tourism integration. By 2025, Shanghai will strive to increase its total tourism revenue from RMB 314.0 bn in 2020 to RMB 700 bn.
2021-06-23	Fuzhou	NDRC passed the “Fuzhou Metropolitan Area Development Plan”.

Source: Wind, Government website, CWSI Research

4.2 Company news and announcements

Table 10: Company news and announcements: EverGrande has arranged its own funds to repay relevant bonds; Hopsen, ZhenRo, Leading, etc. carried out debt financing

Date	Company	Summary
2021-06-21	EverGrande	Proposed to transfer 29.9% of Jiakai City's equity for approximately RMB 2.76 bn and give up control; proposed to transfer 739 mn shares of Hengten Net for approximately HKD 4.43 bn.
2021-06-22	Hopsen	Issued USD 200 mn 6.8% senior notes due 2023.
2021-06-23	ZhenRo	Issued RMB 1.3 bn 7.125% senior notes due 2022.
2021-06-24	EverGrande	Has arranged its own funds of approximately HKD 13.6 bn to be remitted into the bond repayment account to repay relevant bonds due to mature on 28 June 2021 in the principal amount of USD 1.45 bn, and interests payable for all offshore USD bonds of the Company, totaling USD 1.75 bn. The Company does not have any further domestic and foreign public bonds due before March 2022.
2021-06-24	Jinke	Issued RMB 1 bn corporate bonds with a coupon rate of 6.3%.
2021-06-24	Leading	Issued USD 150 mn 12.0% senior notes due 2022.

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%.

2) Sector Ratings:

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

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

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