

This Week in China

Trade Acceptance: Risks and developers' uses

Topic of the week:

Trade acceptance is a payment and financing tool based on corporate credit, and the risk of developers' trade acceptance is based on the cash flow of developers. Commercial draft refers to the instrument issued by the drawer to entrust the payer to pay a certain amount of money to the payee or the bearer on an appointed day. Among them, Trade acceptance is based on corporate credit and the payer is a corporate other than a bank. Trade acceptance essentially have a financing function, because the payment the payment period can be extended. Trade acceptance issued by developers are not subject to bank credit limits, trade acceptances are not included in interest-bearing liabilities, and are only based on the commercial credit of developers, affected by the cash flow of the corresponding real estate company.

Financing needs and costs, willingness to use, etc. have led to large differences in the scale of commercial draft payable among issuers. 1) Some developers have relatively stable operations, relatively ample funds on hand, and insufficient incentives to use draft for financing. 2) The use of draft is often accompanied by interest discounts, which may be higher than the cost of financing some developers through other channels. 3) The use of direct cash payment instead of draft is more conducive to maintaining relationships with suppliers, and a more trustworthy cooperative relationship may also reduce the costs of developers to a certain extent. In addition, although some issuers have a relatively high of draft payable / total debt, it is mainly because the issuers' debt scale is relatively small, and the debt pressure of such developers is actually relatively controllable.

Developers with relatively healthy scales of trade acceptances and debt and more stable operations are expected to outperform. If the supervision of trade acceptance is strengthened, the financing of developers will become more transparent and the clearing of the industry may accelerate. In terms of developers, although the scale of trade acceptances of some developers is relatively large, the scale of interest-bearing liabilities is relatively healthy. The impact of increased trade acceptance supervision on the above-mentioned developers is actually relatively controllable. For some developers with large scales of trade acceptances and interest-bearing liabilities, the increased supervision of trade acceptance may increase their financial pressure. Under the current environment, developers with relatively healthy scales of trade acceptances and interest-bearing liabilities and more stable operations are expected to stand out.

Data points:

As of Jul 2nd, new house transaction area in 42 major cities this week increased 5% WoW, and cumulative transaction area in 2021 increased 40% YoY.

As of Jul 2nd, saleable area (inventory) in 13 major cities this week decreased 2% WoW; average inventory period was 22.3 months, average WoW change was 0.3%.

As of Jul 2nd, second-hand housing transactions in 15 major cities this week decreased 0.4% WoW, and cumulative transaction area in 2020 increased 26% YoY.

Suggestion:

The current industry financing supervision is still tightening, the supervision team stated again to prevent the illegal flow of credit funds into the real estate sector. At the same time, affordable rental housing is included in the scope of the REITs pilot, may introduce more social capital for the construction of affordable housing, and some developers may use affordable housing projects to broaden their financing channels. Maintain "Overweight" rating.

Overweight

(Maintain)

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1. Trade Acceptance: Risks and developers’

uses

According to a report by Cailianshe, the central bank and other regulatory agencies have included the trade acceptance data of the “three red lines” pilot developers in their monitoring scope, requiring developers to report the trade acceptance data along with the “three red lines” monitoring data on a monthly basis. What are the concepts and risks of trade acceptance? What is the scale of the use of trade acceptances by real estate companies? What impact will the strengthening of commercial bill trade acceptance supervision have on the industry?

1.1 Trade Acceptance: Deferred payment tool with financing function based on corporate credit

Commercial draft is a payment tool based on credit, and trade acceptance is based on corporate credit. Commercial draft refers to the instrument issued by the drawer to entrust the payer to pay a certain amount of money to the payee or the bearer on an appointed day. It is a payment tool in corporate transactions. Commercial draft consists of bank acceptance and trade acceptance. The two types of drafts are different in terms of payer and credit basis: the bank acceptances / commercial acceptances are paid by banks / corporates other than banks when due, based on bank credit/corporate commercial credit, respectively, so trade acceptances have greater credit risk than bank acceptances.

Table 1: Trade acceptance and bank acceptance show differences in credit basis

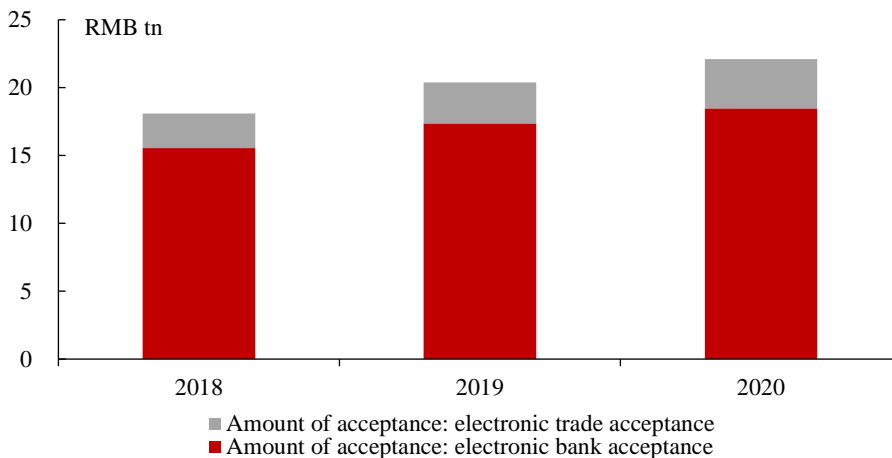
	Trade acceptance	Bank acceptance
Credit basis	Corporate credit	Bank credit
Payer	Corporates	Banks
Payment period	6 months (paper acceptances) 1 year (electronic acceptances)	

Source: Banks, CWSI Research

For both parties of the transaction, the commercial draft is also a flexible financing tool. For the payers, the use of commercial draft for trade payments is also a type of financing method, which can extend the payment period and make more flexible arrangements for its own funds. For the draft holders, they can obtain funds before the maturity date by discounting to banks, trading in the secondary market, and selling the drafts to factoring companies to issue asset securitization products.

The difference in credit basis leads to a higher risk of trade acceptances than bank acceptances. On the maturity date of the commercial draft, when the payer’s account balance is insufficient to pay, the accepting bank of the bank acceptances still needs to pay, the acceptance of the draft is guaranteed. The payer of a trade acceptance is an enterprise, and if the payment is rejected during the bill presentation period (10 days from the due date) and later, corresponding amount should be obtained by initiating a recourse against payment. The credit difference between trade acceptances and bank acceptances has also led to a certain extent that China’s commercial drafts are still dominated by bank acceptances. According to data from the Shanghai Commercial Paper Exchange, the acceptance amount of trade acceptances in 2020 is RMB 3.6 tn, accounting for only 16.4% of the commercial drafts.

Chart 1: The current trade acceptances scale is much smaller than the bank acceptances



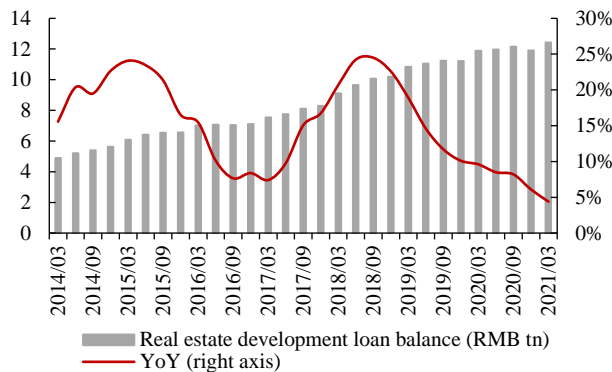
Source: Shanghai Commercial Paper Exchange, CWSI Research

Compared with credit bonds, the actual payment time of trade acceptances is more flexible. On the maturity date of the credit bond, the enterprise is required to repay the corresponding amount. According to the “Negotiable Instruments Law”, the actual repayment time of trade acceptances is not limited to the date when the bill is due. The actual repayment time is more flexible: “For commercial drafts that are paid on a fixed day, paid regularly after the issuance, or paid regularly after seeing the bill, the holder shall be presented for payment within ten days from the due date” “The payer shall accept or refuse to accept the draft presented for acceptance within three days from the date of receipt of the draft presented for acceptance”.

Developers pay for construction and materials fee through commercial invoices, which enables them to allocate funds more flexibly. In real trade, developers often use commercial drafts (often accompanied by a certain discount) to make payments to construction and material suppliers based on their leading position, thereby extending the payment period and improving the efficiency of capital use.

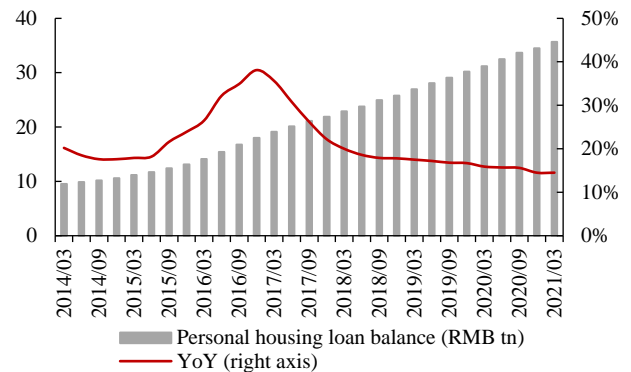
In an environment where the industry’s traditional financing channels have become more stringent, the scale of commercial drafts payable by developers has increased. In recent years, the industry’s financing environment has continued to be tight: the growth rate of development loan balances has continued to decline since 2H2018, and the growth rate of personal loan balances has also continued to decline slightly since 2017; the net financing of domestic real estate bonds has declined after 2017, and since 2020, most of them has been in a net repayment state. In mid-2019, real estate foreign debt issuance and real estate trust business have also been further regulated. The “three red lines” have also put pressure on the debt financing of developer. In this environment, commercial drafts have become a choice for developers to ease short-term funding pressure.

Chart 2: The growth rate of development loan balance has continued to decline since 2H2018



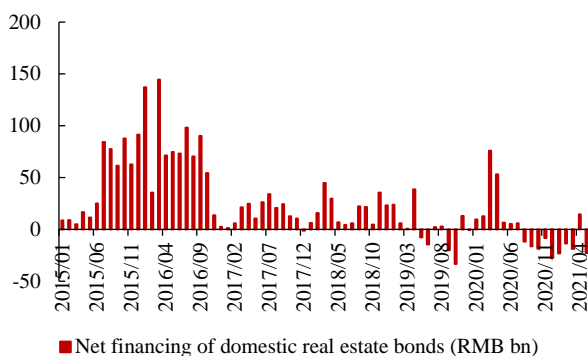
Source: Central Bank, CWSI Research; note: quarterly data

Chart 3: The growth rate of personal housing loan balance continues to decline slightly after 2017



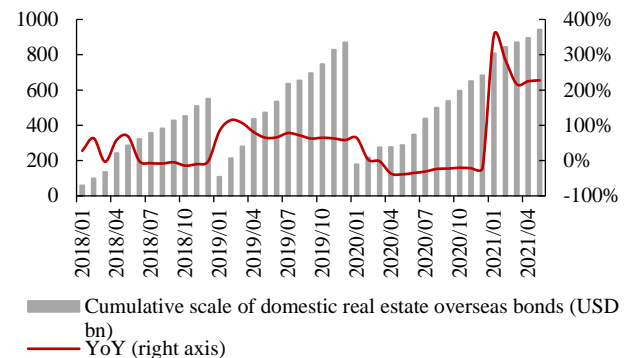
Source: Central Bank, CWSI Research; note: quarterly data

Chart 4: After 2H2020, domestic real estate bonds are often in net repayment status



Source: Wind, CWSI Research

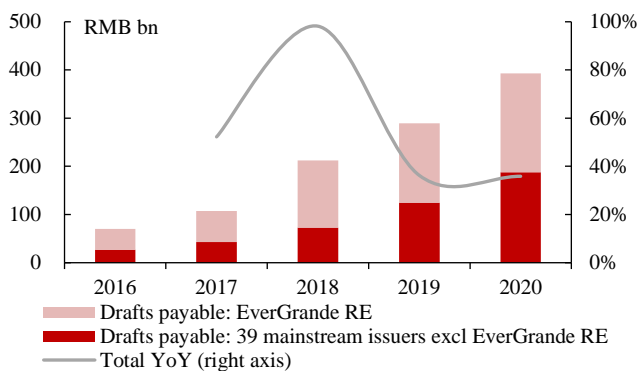
Chart 5: The growth rate of mainland developers’ overseas bond issuance remains stable



Source: Wind, CWSI Research

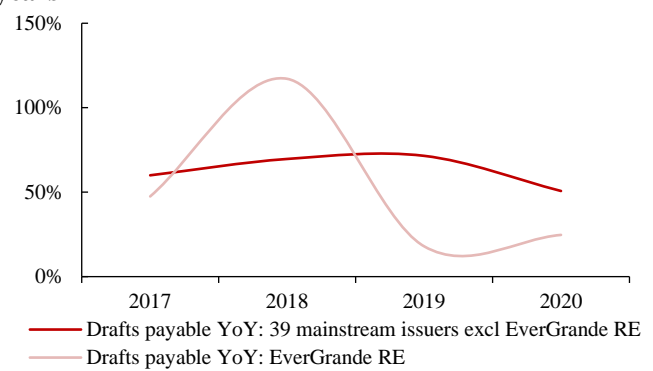
The amount of drafts payable by mainstream developers' domestic bond issuers has grown at a 2016-2020 CAGR of 53.7%. Judging from the overall performance of the 40 real estate bond issuers that have disclosed financial data since 2016, the total scale of drafts payable by issuers from 2016 to 2020 has continued to increase, from RMB 70.4 bn in 2016 to RMB 393.2 bn at the end of 2020, a CAGR of 53.7%. If EverGrande Real Estate is excluded, the drafts payable of the remaining 39 issuers increased from RMB 26.7 bn at the end of 2016 to RMB 187.5 bn at the end of 2020, a CAGR of 62.7%, which is actually faster.

Chart 6: Mainstream real estate issuer' drafts payable 2016-2020 CAGR 53.7%



Source: Wind, CWSI Research

Chart 7: The scale of drafts payable by issuers other than Evergrande has grown faster in the past two years



Source: Wind, CWSI Research

The use of commercial drafts in the real estate industry implies certain financial risks. Commercial drafts are based on the credit of developers and can be circulated in the market. Refusal to pay commercial drafts will have an impact on many market participants and the macro economy. In particular, in an environment of tight financing control: 1) The issue scale of trade acceptances may beyond the developer's own credit: Although the current issue of bank acceptances is within the scope of the bank's total credit line, the issue of trade acceptances does not subject to the limits on quotas, the scale of trade acceptances issued by developers may beyond their own solvency. 2) Use of trade acceptances are not reflected in the main solvency indicators: In the financial statements of developers, commercial drafts are usually not included in the short-term debt account, and are not included in the calculation of cash to short-term debt ratio, net debt ratio and other solvency indicators; it may make it difficult for draft holders to correctly judge the capital situation of the developers.

Current industry regulatory policies emphasize financial risk management and control. From the perspective of recent industry financing supervision policies, the significance of the "three red lines" and the introduction of the banking industry's housing loan concentration management system include "preventing and dissolving real estate financial risks, and promoting the sustained, stable and healthy development

of the real estate market” and “Preventing potential systemic financial risks caused by the excessive concentration of real estate loans in the financial system”. At present, the scale of drafts payable by developers is growing rapidly, and further regulation of commercial drafts may also have a positive impact on the transparency of industry financing and the overall risk level.

1.2 What is the scale of drafts payable by developers?

Since Hong Kong listed developers do not need to disclose commercial draft-related data in their annual reports, we use the financial information disclosed by their domestic bond issuers for analysis. In the financial statements, the trade acceptances of developers are listed in the drafts payable subject, and the bills payable subjects of the A-share listed developers are basically trade acceptances, while most of the domestic bond issuers of Hong Kong-listed developers have no detailed disclosures in their annual reports. In order to unify the standard of comparison, we have sorted out the **drafts payable of the domestic bond issuers** of 43 mainstream listed developers that disclosed financial data for 2020.

The scale of drafts payable by developers’ domestic bond issuers showed large differences. At the end of 2020, the total amount of drafts payable by 43 mainstream real estate issuers in China reached RMB 396.8 bn, of which Evergrande Real Estate’s drafts payable reached RMB 205.7 bn (according to the prospectus of 21 Evergrande 01, “the drafts payable are basically trade acceptances”); The drafts payable of GreenLand and Sunac Real Estate both exceed RMB 20 bn, and the drafts payable of Country Garden Real Estate, CR Land, Poly, CFLD, and Zoina are between RMB 10-20 bn. Among the 43 bond issuers, 35 have less than 10 bn drafts payable at the end of 2020, of which Vanke, Sino-Ocean, Agile, etc. have less than 1 bn drafts, and COLI, Gemdale, and Radiance have no drafts payable at the end of 2020.

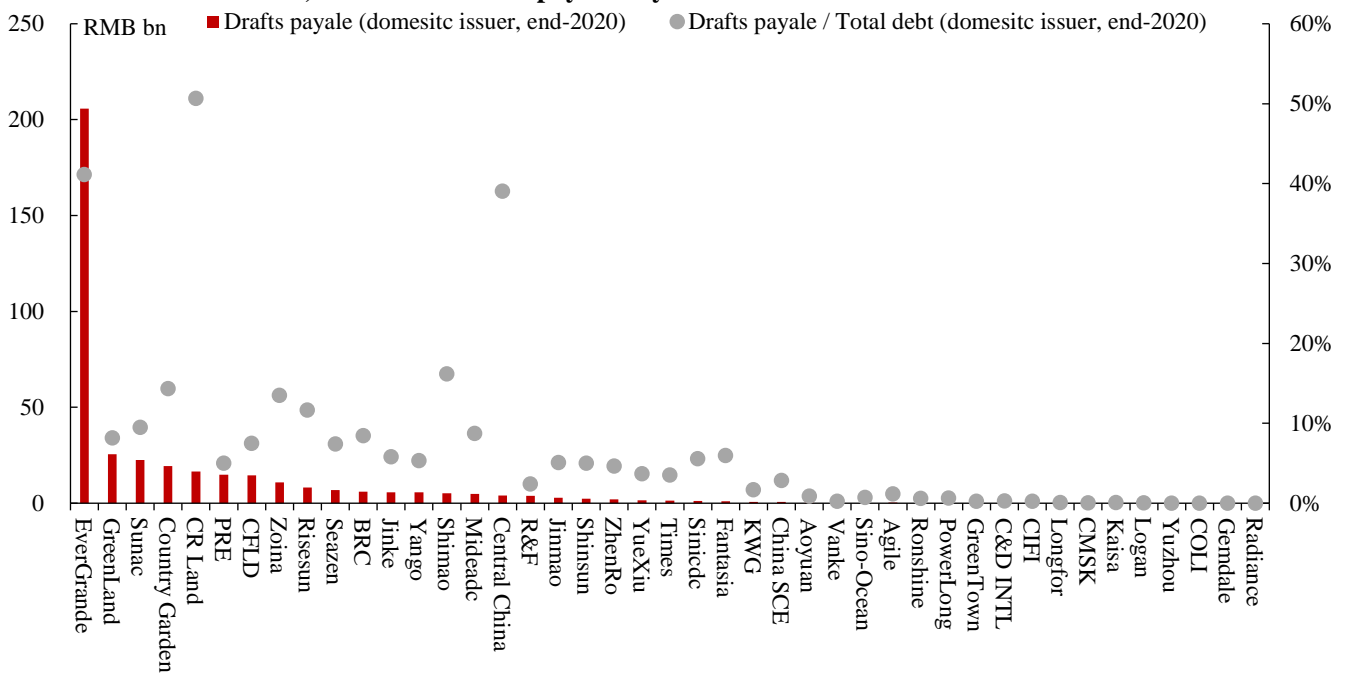
Financing needs and costs, willingness to use, etc. have led to large differences in the scale of commercial draft payable among issuers. 1) Some developers have relatively stable operations, relatively ample funds on hand, and insufficient incentives to use draft for financing. 2) The use of draft is often accompanied by interest discounts, which may be higher than the cost of financing some developers through other channels. 3) The use of direct cash payment instead of draft is more conducive to maintaining relationships with suppliers, and a more trustworthy cooperative relationship may also reduce the costs of developers to a certain extent.

Drafts payable accounted for 9.5% of the scale of interest-bearing liabilities of mainstream real estate issuers, with CR Land, EverGrande Real Estate, and Central China Real Estate accounting for a relatively high proportion. At the end of 2020, the drafts payable of the domestic bond issuers of 43 mainstream developers accounted for 9.5% of the total scale of interest-bearing liabilities, of which CR Land,

EverGrande Real Estate, and Central China Real estate accounted for the highest proportions, reaching 50.7%, 41.1% and 39.0% respectively. Among the 43 domestic bond issuers, the number of issuers with a proportion greater than 10%, between 1%-10% and less than 1% are 7, 20, and 16, respectively,

The proportion of drafts payable needs to be analyzed separately on the numerator and denominator. Among the bond issuers with higher drafts payable/interest-bearing debts, the higher proportions of CR Land and Central China Real estate are mainly due to the smaller scale of interest-bearing liabilities (i.e. denominator), and the debt pressure is actually relatively controllable. GreenLand’s drafts payable scale ranks second, and its drafts payable/interest-bearing liabilities is only 8.2%; the reason is also that the scale of interest-bearing liabilities (i.e. denominator) is relatively large. The higher proportion of Evergrande is mainly due to the larger scale of its drafts payable(i.e., numerator), and the scale of interest-bearing liabilities of domestic bond issuers by the end of 2020 of approximately RMB 500 bn.

Chart 8: At the end of 2020, the scale of drafts payable by real estate issuers shows differences



Source: Wind, CWSI Research

Table 2: List of drafts payable and main debt solvency indicators of mainstream developers

Developer	Domestic bond issuer	Issuer				Listed developer, end-2020			
		End-2020		Drafts Payable YoY		Liability/Asset excl Contract liabilities	Net gearing	Cash/ST debt	Number of substandard indicators
		Drafts Payable (RMB bn)	Drafts Payable / Total Debt	2020	2019				
EverGrande	恒大地产	205.7	41.1%	25%	18%	83%	153%	0.5	3
GreenLand	绿地集团	25.6	8.2%	129%	31%	84%	135%	1.0	3
Sunac	融创房地产	22.6	9.5%	102%	115%	78%	96%	1.4	1
Country Garden	碧桂园地产	19.3	14.3%	51%	1%	80%	56%	1.9	1
CR Land	华润置地控股	16.6	50.7%	30%	-	60%	29%	2.5	0
PRE	保利地产	14.9	5.0%	91%	69%	69%	57%	2.3	0
CFLD	华夏控股	14.5	7.5%	89%	-16%	77%	181%	0.3	3
Zoia	中南建设	10.8	13.5%	-2%	20%	80%	97%	1.4	1
Risesun	荣盛发展	8.1	11.7%	98%	-11%	74%	80%	1.4	1
Seazen	新城控股	6.8	7.4%	59%	154%	76%	44%	2.6	1
BRC	蓝光发展	6.0	8.4%	65%	408%	73%	89%	1.1	1
Jinke	金科股份	5.7	5.8%	-24%	182%	70%	75%	1.3	0
Yango	阳光城	5.6	5.3%	83%	401%	79%	95%	1.5	1
Shimao	世茂建设	5.1	16.2%	75%	95%	68%	50%	1.9	0
Mideadc	美的置业	4.8	8.7%	-13%	177%	76%	79%	2.2	1
Central China	建业住宅集团	4.1	39.0%	2%	76%	86%	57%	1.9	1
R&F	广州富力地产	3.9	2.4%	63%	151%	77%	130%	0.6	3
Jinmao	上海金茂投资	2.8	5.1%	18%	107%	67%	45%	1.9	0
Shinsun	祥生地产	2.4	5.0%	515%	7559%	82%	136%	1.1	2
ZhenRo	正荣地产	2.1	4.6%	69%	-	77%	65%	2.2	1
YueXiu	广州城建	1.6	3.7%	-19%	87%	69%	48%	2.3	0
Times	广州时代	1.3	3.5%	9%	51%	79%	66%	2.1	1
Sinicdc	新力地产	1.2	5.6%	254%	2873%	73%	64%	1.2	1
Fantasia	花样年集团(中国)	1.0	6.0%	0%	271%	72%	75%	1.6	1
KWG	广州合景	0.7	1.7%	24%	-	75%	62%	1.8	1
China SCE	厦门中骏集团	0.7	2.9%	3%	-	69%	59%	1.7	0
Aoyuan	奥园集团	0.6	0.9%	-19%	87%	78%	83%	1.3	1
Vanke	万科	0.6	0.2%	-36%	-	72%	18%	2.4	1
Sino-Ocean	远洋集团(中国)	0.3	0.7%	-30%	-	69%	55%	1.7	0
Agile	广州番禺雅居乐	0.3	1.2%	-	-100%	72%	61%	1.3	1
Ronshine	融信(福建)投资	0.3	0.6%	-18%	-27%	70%	83%	1.2	0
PowerLong	上海宝龙实业	0.3	0.7%	-	-100%	70%	74%	1.4	0
GreenTown	绿城房地产	0.2	0.3%	121%	144%	72%	64%	1.4	1
C&D INTL	建发房地产	0.2	0.3%	55%	89%	68%	74%	5.0	0
CIFI	旭辉集团	0.1	0.2%	135%	-65%	73%	64%	2.7	1
Longfor	重庆龙湖企业拓展	0.1	0.1%	-81%	-37%	67%	47%	4.2	0
CMSK	招商蛇口	0.0	0.0%	-60%	210%	59%	29%	1.5	0
Kaisa	佳兆业集团(深圳)	0.0	0.1%	-96%	-	70%	98%	2.0	1
Logan	深圳龙光	0.0	0.1%	-62%	220%	70%	61%	1.8	0
Yuzhou	厦门禹洲鸿图	0.0	0.0%	-99%	-	78%	86%	1.8	1
COLI	中海企业发展	0.0	0.0%	-	-	53%	31%	2.5	0
Radiance	金辉集团股份	0.0	0.0%	-	-100%	69%	75%	1.4	0
Gemdale	金地集团	0.0	0.0%	-100%	-57%	69%	63%	1.3	0

Source: Wind, CWSI Research

1.3 What impact will the strengthening of trade acceptance supervision have on the industry?

Real estate financing may become more transparent, and industry clearing may accelerate. In recent years, the willingness and scale of developers to pay suppliers through trade acceptances has increased, and commercial bills have become a financing channel for developers in addition to the main solvency indicators currently under supervision. If the supervision of trade acceptances is strengthened, the financing of developers will become more transparent; if some developers do rely more on this channel, the strengthening of supervision may also speed up the clearing of the industry.

Developers with larger scales of trade acceptances and interest-bearing liabilities may face greater financial pressure. Although the scale of trade acceptances of some developers is relatively large, the scale of interest-bearing liabilities is relatively healthy, so the impact of increased trade acceptance supervision on the aforementioned developers is actually relatively controllable. For some developers with large scales of both trade acceptances and interest-bearing liabilities, the increased supervision of trade acceptances may have more significant effects on their financial pressure.

Developers with relatively healthy scales of both trade acceptances and interest-bearing liabilities and more stable operations are expected to outperform. In an environment where industry policies continue to be tight, it is difficult for developers to continue to achieve healthy scale growth through financial levers of various channels, to obtain land at a reasonable price (investment capacity), a reasonable scale of leverage and efficient capital deployment (financial discipline) are more critical. Developers with relatively healthy scales of both trade acceptances and interest-bearing liabilities and more stable operations are expected to outperform.

Table 3: List of listed companies and domestic bond issuers

Developer	Ticker	Domestic bond issuer	Ticker
Country Garden	2007.HK	碧桂园地产集团有限公司	114389.SZ
EverGrande	3333.HK	恒大地产集团有限公司	122393.SH
Sunac	1918.HK	融创房地产集团有限公司	114365.SZ
COLI	0688.HK	中海企业发展集团有限公司	112776.SZ
Shimao	0813.HK	上海世茂建设有限公司	122496.SH
CR Land	1109.HK	华润置地控股有限公司	149179.SZ
Longfor	0960.HK	重庆龙湖企业拓展有限公司	122410.SH
CIFI	0884.HK	旭辉集团股份有限公司	135842.SH
Jinmao	0817.HK	上海金茂投资管理集团有限公司	155188.SH
R&F	2777.HK	广州富力地产股份有限公司	155405.SH
Ronshine	3301.HK	融信(福建)投资集团有限公司	114550.SZ
ZhenRo	6158.HK	正荣地产控股股份有限公司	155689.SH
GreenTown	3900.HK	绿城房地产集团有限公司	175903.SH
Sino-Ocean	3377.HK	远洋控股集团(中国)有限公司	169744.SH
Agile	3383.HK	广州番禺雅居乐房地产开发有限公司	137288.SZ
Aoyuan	3883.HK	奥园集团有限公司	138385.SZ
Logan	3380.HK	深圳市龙光控股有限公司	112461.SZ
KWG	1813.HK	广州合景控股集团集团有限公司	136101.SH
Times	1233.HK	广州市时代控股集团集团有限公司	138247.SZ
PowerLong	1238.HK	上海宝龙实业发展(集团)有限公司	175995.SH
Yuzhou	1628.HK	厦门禹洲鸿图地产开发有限公司	150702.SH
China SCE	1966.HK	厦门中骏集团有限公司	112942.SZ
Fantasia	1777.HK	花样年集团(中国)有限公司	155092.SH
YueXiu	0123.HK	广州市城市建设开发有限公司	136601.SH
C&D INTL	1908.HK	建发房地产集团有限公司	179967.SH
Mideadc	3990.HK	美的置业集团有限公司	189136.SH
Central China	0832.HK	建业住宅集团(中国)有限公司	151848.SH
Radiance	9993.HK	金辉集团股份有限公司	150394.SH
Sinicdc	2103.HK	新力地产集团有限公司	138945.SZ
Shinsun	2599.HK	祥生地产集团有限公司	114872.SZ
Kaisa	1638.HK	佳兆业集团(深圳)有限公司	133028.SZ
Vanke	000002.SZ	万科企业股份有限公司	149478.SZ
CMSK	001979.SZ	招商局蛇口工业区控股股份有限公司	149498.SZ
Seazen	601155.SH	新城控股集团股份有限公司	188257.SH
PRE	600048.SH	保利发展控股集团股份有限公司	188172.SH
GreenLand	600606.SH	绿地控股集团集团有限公司	175524.SH
Gemdale	600383.SH	金地(集团)股份有限公司	175946.SH
Jinke	000656.SZ	金科地产集团股份有限公司	149495.SZ
Zoina	000961.SZ	江苏中南建设集团股份有限公司	149391.SZ
Yango	000671.SZ	阳光城集团股份有限公司	149363.SZ
Risesun	002146.SZ	荣盛房地产发展股份有限公司	138717.SZ
BRC	600466.SH	四川蓝光发展股份有限公司	163788.SH
CFLD	600340.SH	华夏幸福基业控股股份公司	175172.SH

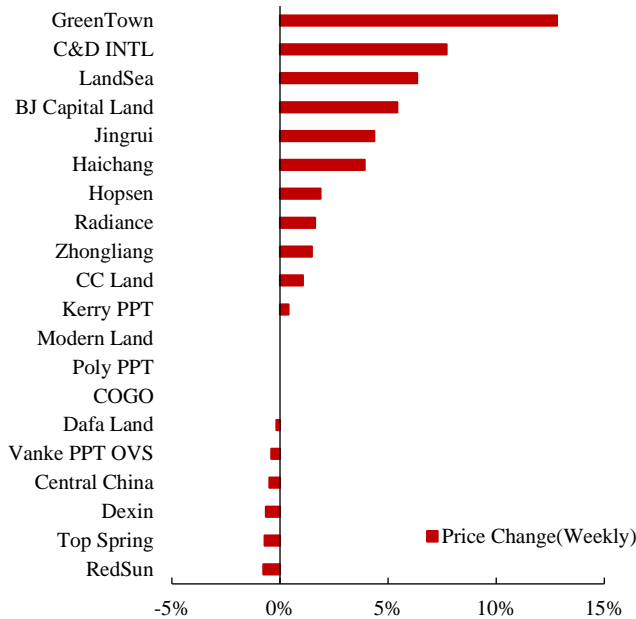
Source: Wind, CWSI Research

2. Sector Performance

2.1 Performance of developer sector

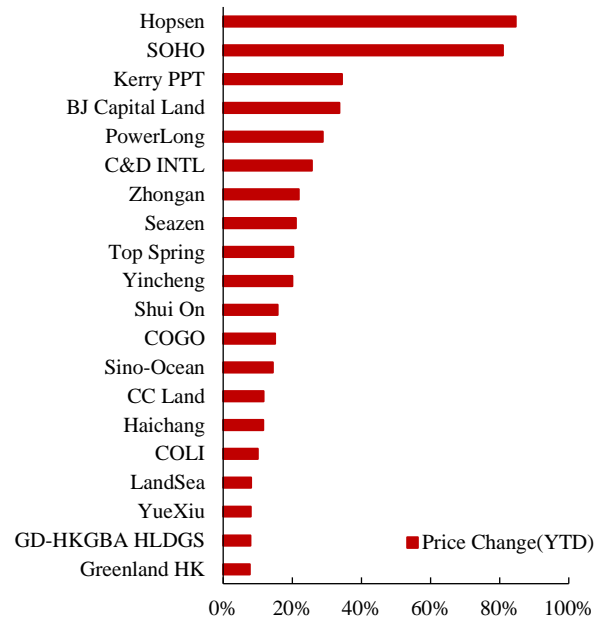
This week, GreenTown C&D INTL and LandSea had larger price increase than peers. Hopsen, SOHO and Kerry PPT had better share price performance, YTD.

Chart 9: This week, GreenTown C&D INTL and LandSea had larger price increase than peers



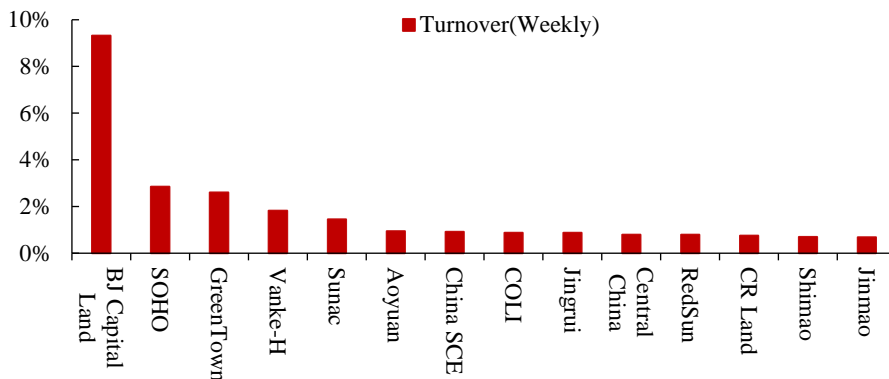
Source: Wind, CWSI Research

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



Source: Wind, CWSI Research

Chart 11: BJ Capital Land, SOHO and GreenTown were most actively traded this week

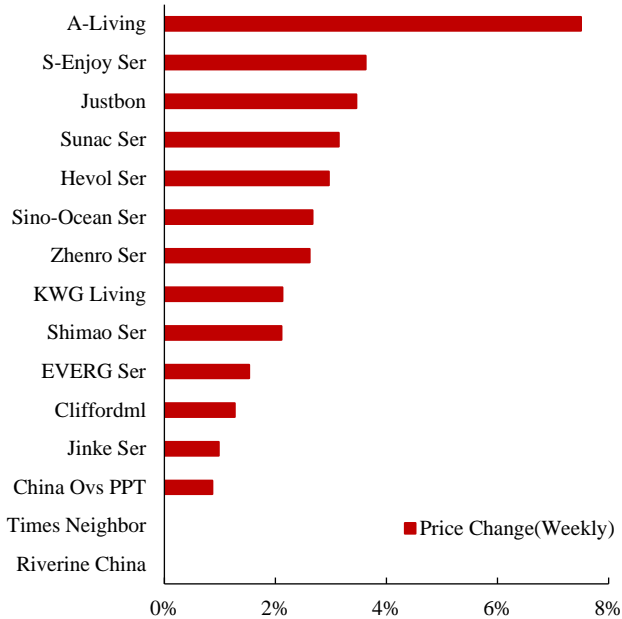


Source: Wind, CWSI Research

2.2 Performance of property management sector

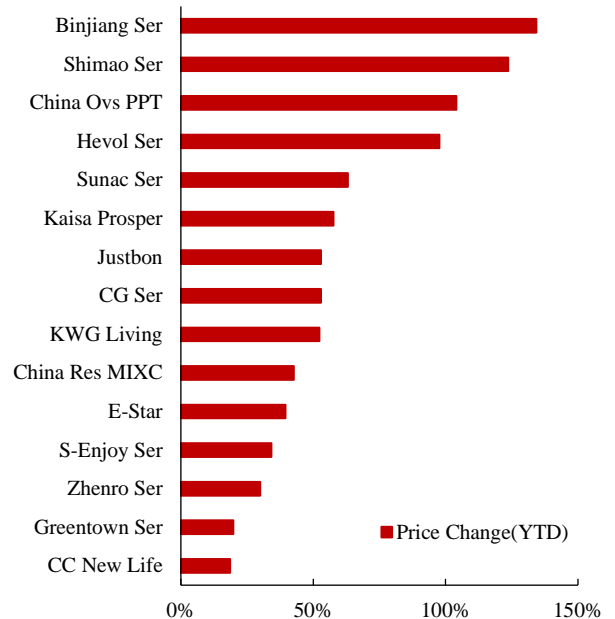
This week, A-Living, S-Enjoy Ser and Justbon had larger price increase than peers. Binjiang Ser, Shimao Ser and China Ovs PPT had better share price performance YTD.

Chart 12: This week, A-Living, S-Enjoy Ser and Justbon had larger price increase than peers



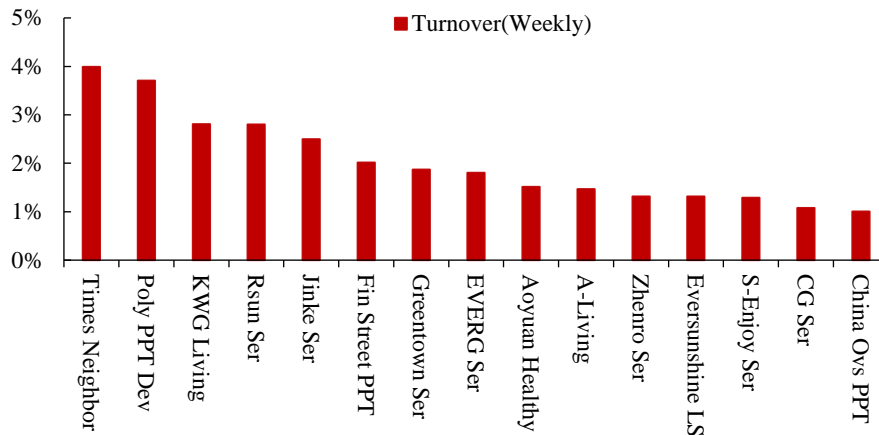
Source: Wind, CWSI Research

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



Source: Wind, CWSI Research

Chart 14: Times Neighbor, Poly PPT Dev and KWG Living 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 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	287,805	-16%	74%	1,156	60%	84%	69	-47%	62%	5,029	88%
Shanghai	414,400	11%	23%	1,758	63%	39%	189	99%	190%	8,311	58%
Guangzhou	277,382	-14%	-7%	923	-10%	-13%	40	18%	-39%	6,733	83%
Shenzhen	65,806	-13%	1%	285	9%	-13%	20	29%	-14%	2,488	48%
Tier 1	1,045,394	-6%	21%	4,123	33%	25%	318	16%	62%	22,561	69%
Tier 2	3,401,224	12%	-12%	12,870	-3%	-4%	1,045	9%	3%	72,458	42%
Tier 3	2,265,762	2%	-37%	9,273	-11%	-26%	463	-39%	-43%	60,349	29%
Beijing	287,805	↓ -16%	↑ 74%	1,156	↑ 60%	↑ 84%	69	↓ -47%	↑ 62%	5,029	↑ 88%
Qingdao	416,605	↑ 6%	↓ -6%	1,529	↑ 6%	↓ -10%	90	↑ 6%	↓ -18%	8,126	↑ 23%
Jinan	412,999	↑ 19%	↑ 38%	1,432	↑ 2%	↑ 21%	97	↑ 23%	↑ 12%	6,385	↑ 28%
Dongying	43,935	↓ -39%	↓ -52%	246	↑ 10%	↓ -63%	12	↓ -31%	↓ -59%	1,390	↓ -35%
PBR	1,161,344	↑ 1%	↑ 16%	4,363	↑ 15%	↑ 5%	268	↓ -14%	↑ 0%	20,930	↑ 28%
Shanghai	414,400	↑ 11%	↑ 23%	1,758	↑ 63%	↑ 39%	189	↑ 99%	↑ 190%	8,311	↑ 58%
Nanjing	362,107	↓ -4%	↑ 72%	1,287	↓ -18%	↑ 65%	175	↑ 18%	↑ 43%	8,071	↑ 90%
Hangzhou	224,955	↑ 15%	↓ -32%	1,147	↓ -19%	↓ -3%	61	↓ -5%	↑ 21%	6,638	↑ 56%
Suzhou	299,695	↓ -34%	↓ -67%	1,396	↑ 10%	↓ -35%	28	↓ -74%	↓ -58%	6,231	↑ 6%
Wuxi	-	-	-	380	↓ -36%	↓ -26%	-	-	-	3,143	↑ 26%
Yangzhou	5,518	↓ -92%	↓ -67%	245	↓ -4%	↑ 4%	6	↓ -72%	↓ -67%	1,667	↑ 73%
Jiangyin	65,464	↑ 30%	↓ -36%	261	↓ -30%	↓ -31%	5	↓ -74%	↓ -66%	1,808	↑ 35%
Wenzhou	243,635	↑ 76%	↓ -71%	777	↓ -16%	↓ -55%	38	↓ -61%	↓ -48%	5,162	↑ 18%
Jinhua	24,717	↓ -51%	↓ -78%	190	↓ -15%	↓ -34%	9	↓ -57%	↓ -82%	1,477	↑ 52%
Changzhou	49,881	↑ 49%	↓ -37%	174	↓ -31%	↓ -54%	9	↓ -61%	↓ -67%	1,304	↓ -9%
Huaian	56,587	↓ -19%	↓ -44%	295	↓ -15%	↓ -43%	12	↓ -74%	↓ -65%	2,932	↓ 41%
Lianyungang	102,934	↓ -15%	↓ -49%	576	↓ -13%	↓ -6%	25	↓ -53%	↓ -64%	4,706	↑ 68%
Shaoxing	23,536	↓ -49%	↓ -60%	148	↓ -55%	↓ -48%	-	-	-	1,283	↑ 11%
Zhenjiang	161,658	↑ 18%	↓ -15%	586	↓ -11%	↓ -8%	17	↓ -54%	↓ -73%	3,738	↑ 36%
Jiaxing	14,700	↓ -68%	↓ -91%	157	↑ 7%	↓ -71%	-	-	-	899	↓ -32%
Wuhu	131,822	↓ -42%	↑ 97%	602	↓ -18%	↑ 178%	21	↓ -69%	↓ -20%	4,160	↑ 384%
Yancheng	28,964	↑ 26%	-	303	↑ 208%	↑ 69%	-	-	-	2,014	↑ 22%
Zhoushan	36,008	↑ 104%	↓ -8%	110	↓ -38%	↓ -26%	7	↑ 53%	↑ 11%	747	↑ 15%
Chizhou	10,561	↓ -36%	↓ -55%	59	↓ -51%	↓ -24%	-	-	-	559	↑ 33%
Ningbo	98,918	↓ -48%	↓ -73%	629	↓ -15%	↓ -35%	16	↓ -56%	↓ -90%	4,416	↑ 33%
YRD	2,356,061	↓ -10%	↓ -45%	11,080	↓ -8%	↓ -15%	617	↓ -30%	↓ -32%	69,265	↑ 44%
Guangzhou	277,382	↓ -14%	↓ -7%	923	↓ -10%	↓ -13%	40	↑ 18%	↓ -39%	6,733	↑ 83%
Shenzhen	65,806	↓ -13%	↑ 1%	285	↑ 9%	↓ -13%	20	↑ 29%	↓ -14%	2,488	↑ 48%
Fuzhou	116,439	↑ 4%	↑ 477%	536	↓ -19%	↑ 352%	37	↓ -30%	↑ 361%	2,704	↑ 200%
Dongguan	123,694	↓ -48%	↓ -54%	566	↑ 40%	↓ -33%	26	↑ 119%	↓ -17%	2,707	↑ 8%
Quanzhou	1,951	↓ -93%	↓ -95%	35	↓ -61%	↓ -86%	0	↓ -95%	↓ -98%	630	↓ -28%
Putian	39,196	↓ -25%	↓ -49%	214	↑ 23%	↑ 12%	4	↓ -43%	↓ -60%	1,160	↑ 51%
Huizhou	91,687	↑ 98%	↓ -40%	321	↑ 34%	↓ -21%	41	↑ 17%	↑ 152%	1,563	↑ 35%
Shaoguan	26,900	↑ 1%	↓ -32%	99	↓ -26%	↓ -39%	2	↓ -51%	↓ -81%	734	↓ -10%
Foshan	343,970	↑ 27%	↓ -10%	1,004	↓ -17%	↓ -29%	116	↑ 54%	↑ 12%	6,529	↑ 21%
Zhaoqing	35,991	↑ 4%	↓ -38%	129	↓ -41%	↓ -46%	5	↓ -48%	↓ -61%	1,271	↑ 22%
Jiangmen	20,923	↓ -64%	↓ -48%	146	↓ -10%	↑ 7%	2	↓ -71%	↓ -47%	910	↑ 56%
PRD & Southern China	1,143,939	↓ -9%	↓ -21%	4,259	↓ -7%	↓ -17%	293	↑ 15%	↑ 1%	27,428	↑ 41%
Taian	38,938	↓ -8%	↓ -41%	192	↓ -25%	↓ -20%	5	↓ -79%	↓ -81%	1,376	↑ 45%
Northern China	38,938	↓ -8%	↓ -41%	192	↓ -25%	↓ -20%	5	↓ -79%	↓ -81%	1,376	↑ 45%
Wuhan	1,035,684	↑ 113%	↑ 145%	2,666	↑ 7%	↑ 61%	309	↑ 74%	↑ 100%	12,964	↑ 152%
Yueyang	35,812	↓ -27%	↓ -45%	223	↑ 14%	↑ 7%	4	↓ -78%	↓ -69%	1,075	↑ 15%
Baoji	51,735	↓ -25%	↓ -50%	288	↓ -29%	↓ -25%	12	↓ -49%	↓ -62%	2,134	↑ 54%
Central China	1,123,230	↑ 86%	↑ 90%	3,178	↑ 2%	↑ 41%	325	↑ 48%	↑ 64%	16,174	↑ 117%
Chengdu	528,577	↑ 35%	↑ 27%	2,001	↑ 28%	↓ -8%	259	↑ 41%	↑ 15%	11,880	↑ 17%
Liuzhou	165,739	↑ 111%	↓ -10%	460	↑ 10%	↓ -46%	14	↓ -38%	↓ -48%	2,736	↓ -11%
Nanning	194,551	↓ -2%	↓ -39%	733	↓ -32%	↓ -43%	46	↓ -53%	↓ -50%	5,578	↓ -2%
Western China	888,867	↑ 33%	↓ -3%	3,194	↑ 5%	↓ -26%	319	↑ 5%	↓ -7%	20,194	↑ 7%
Total	6,712,380	5%	-19%	26,265	-2%	-10%	1,826	-9%	-10%	155,367	40%
Num. of cities Up	18	9		16	12		12	11		35	
Num. of cities Down	23	31		26	30		25	26		7	

Source: Local governments, CWSI Research; Note: Till 2021/7/2

Table 5: Major cities inventory period was 22.3 months this week

City	Inventory (sqm 000)	wow	yoy	Inventory period	Last week	wow	yoy
Beijing	11,872	1%	-1%	10.3	11.2	-9%	-46%
Shanghai	5,876	1%	-18%	3.3	3.6	-6%	-41%
Guangzhou	8,534	-2%	6%	9.2	10.0	-8%	22%
Shenzhen	1,769	-5%	-13%	6.2	6.5	-5%	0%
Tier 1 Average		-1%	-6%	7.3	7.8	-7%	-16%
Hangzhou	1,860	-16%	-47%	1.6	1.6	0%	-46%
Nanjing	6,897	-3%	19%	5.4	5.9	-9%	-28%
Suzhou	8,368	0%	26%	6.0	5.6	7%	93%
Fuzhou	6,732	0%	6%	12.6	12.4	2%	-77%
Nanning	9,181	2%	18%	12.5	11.9	5%	108%
Wenzhou	10,875	-2%	1%	14.0	12.7	10%	123%
Quanzhou	6,859	0%	-5%	196.2	178.3	10%	579%
Ningbo	3,358	4%	2%	5.3	5.3	1%	57%
Dongying	1,831	0%	35%	7.4	7.1	5%	264%
Overall Average		-2%	2%	22.3	20.9	0%	78%

Source: Local governments, CWSI Research; Note: Till 2021/7/2; Average WoW and average YoY are defined as average change of each city

3.2 Second-hand house transaction and price data

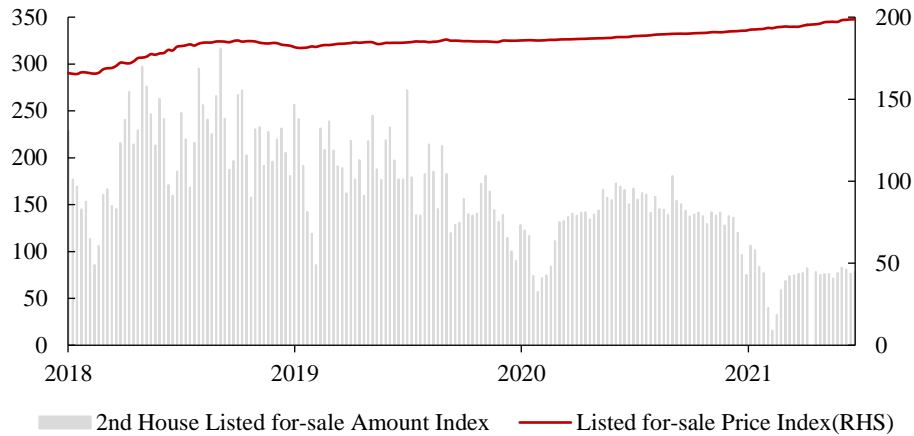
Table 6: Major cities Second-hand house transaction volume, Beijing and Xiamen rose significantly YTD

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	465,524	↑ 12%	↑ 34%	1,703	↓ -6%	↑ 12%	112	↓ -5%	↑ 17%	9,970	↑ 66%
Shenzhen	53,169	↓ -2%	↓ -73%	236	↓ -21%	↓ -74%	20	↓ -8%	↓ -74%	2,413	↓ -37%
Hangzhou	120,132	↑ 7%	↓ -28%	503	↓ -21%	↓ -22%	32	↑ 15%	↓ -34%	3,461	↑ 36%
Nanjing	216,794	↓ -4%	↓ -16%	968	↑ 60%	↓ -1%	76	↓ -3%	↓ -22%	5,438	↑ 29%
Chengdu	76,056	↓ -8%	↓ -33%	356	↑ 30%	↓ -31%	32	↓ -1%	↓ -29%	1,999	↓ -20%
Qingdao	137,054	↓ -6%	↑ 14%	618	↓ -5%	↑ 4%	48	↓ -13%	↑ 9%	3,461	↑ 47%
Wuxi	173,483	↓ -13%	↑ 6%	717	↑ 21%	↑ 11%	45	↓ -16%	↓ -29%	3,094	↑ 7%
Suzhou	75,543	↓ -30%	↓ -41%	513	↓ -28%	↓ -11%	17	↓ -56%	↓ -65%	3,888	↑ 47%
Xiamen	91,944	↑ 3%	↑ 19%	369	↓ -1%	↓ 0%	30	↑ 13%	↑ 9%	2,425	↑ 64%
Yangzhou	19,213	↓ -30%	↓ -18%	107	↓ -14%	↓ -3%	4	↓ -54%	↓ -44%	640	↑ 33%
Dongguan	65,398	↑ 49%	↓ -47%	169	↑ 41%	↓ -55%	23	↑ 127%	↓ -48%	886	↓ -33%
Nanning	31,291	↓ -10%	↓ -53%	128	↑ 5%	↓ -60%	5	↓ -64%	↓ -78%	855	↓ -27%
Foshan	168,848	↑ 19%	↑ 34%	628	↓ -4%	↑ 4%	56	↑ 1%	↑ 5%	3,810	↑ 61%
Jinhua	38,126	↓ -25%	↓ -26%	201	↓ -50%	↑ 4%	11	↓ -57%	↓ -58%	1,787	↑ 49%
Jiangmen	12,843	↓ -32%	↓ -21%	72	↓ -17%	↓ -13%	2	↓ -70%	↓ -62%	460	↑ 32%
Total	1,745,418	0%	-12%	7,288	-3%	-14%	512	-11%	-27%	44,586	26%
Num. of cities Up		5	5		5	5		4	4		11
Num. of cities Down		10	10		10	10		11	11		4

Source: Local governments, CWSI Research; Note: Till 2021/7/2

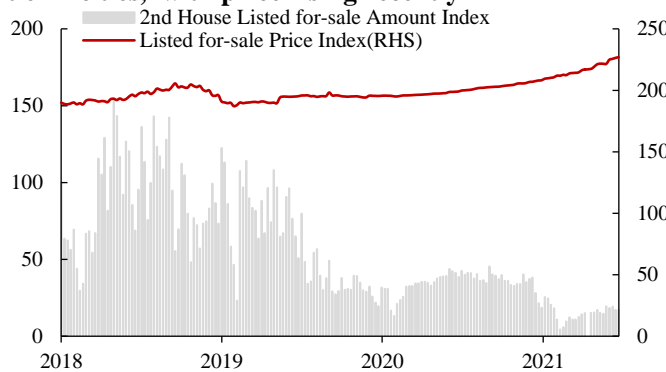


Chart 15: 2nd house listed for-sale price index rose slightly recently



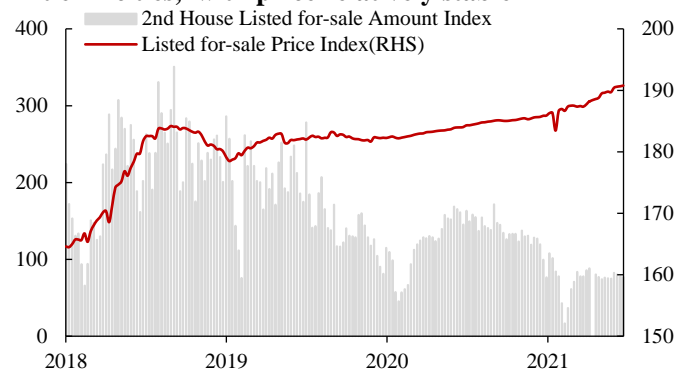
Source: Local Government, CWSI Research; Note: Till 2021/6/27

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



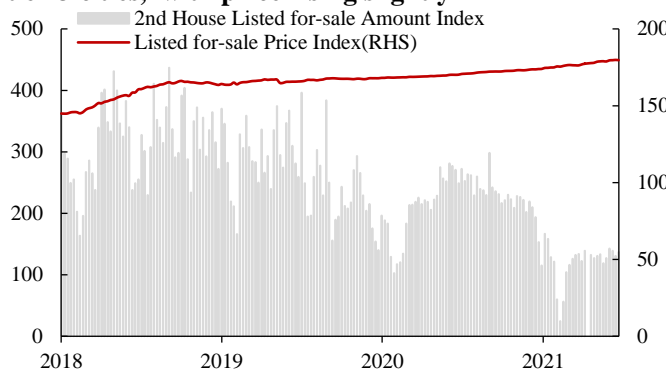
Source: Local Government, CWSI Research; Note: Till 2021/6/27

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



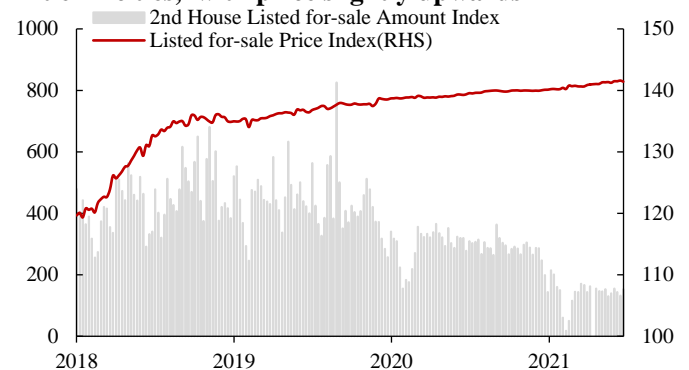
Source: Local Government, CWSI Research; Note: Till 2021/6/27

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 2021/6/27

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 2021/6/27

4. Important Policies and News

4.1 Important Industry Policies News This Week

Table 7: Important Industry Policies News This Week: Affordable rental housing is included in the pilot scope of publicly offered REITs

Date	Region / Institution	Summary
2021-06-29	Supervision	The Disciplinary Inspection and Supervision Team of China Construction Bank pointed out that to prevent the illegal flow of credit funds into the real estate sector, post-loan fund management and control are the key and difficult points.
2021-06-29	Shenzhen	Public housing projects and commercial housing projects should be equipped with barrier-free housing in accordance with relevant standards, and priority should be given to the needs of specific groups such as the disabled and the elderly.
2021-06-29	Henan	The Henan Provincial Development and Reform Commission issued the "Key Points and Major Projects of the Integrated Development of Zhengzhou Metropolitan Area in 2021".
2021-06-29	Hunan	The integration of Changsha-Zhuzhou-XiangTan housing provident fund has officially landed.
2021-06-29	Nanjing	Severe punishment will be imposed on false declarations related to the initial housing purchase certificate, and family members will be affected by the discovery of fraud; the issuance of the Nanjing Housing Purchase Certificate will be adjusted from the Nanjing Real Estate Registration Department to the Municipal and District Real Estate Transaction Management Department.
2021-06-30	Wuxi	The pre-sale capital quota of Wuxi commercial housing will be dynamically adjusted from July 1. When the credit rating of the developer changes, its key regulatory capital quota will be adjusted in time, and the regulatory capital will be allocated with reference to the new quota standard after the adjustment.
2021-07-02	NDRC	Issued the requirements for the application of pilot projects for REITs in the infrastructure sector, which mentioned that the pilot industries include: transportation infrastructure, energy infrastructure, municipal infrastructure, ecological and environmental protection infrastructure, warehousing and logistics infrastructure, park infrastructure, and new infrastructure, affordable rental housing, etc.

Source: Wind, Government website, CWSI Research

4.2 Company news and announcements

Table 8: Company news and announcements: KWG Living acquired Shanghai Shenqin Property, obtaining revenue-bearing GFA of approximately 18 mn sqm; Logan, Aoyuan, etc. launched debt financing

Date	Company	Summary
2021-06-29	KWG Living	Acquired 80% of Shanghai Shenqin Property Management Service Co., Ltd. at a consideration of RMB 498 mn. As of the end of December 2020, there are more than 120 projects under management, with revenue-bearing GFA of approximately 18 mn sqm.
2021-06-29	Logan	Issued USD 300 mn 4.7% green senior notes due 2026.
2021-06-30	ZhenRo	Completed the redemption of RMB 1 bn 7.4% senior notes due 2021 and completed the redemption of USD 420 mn 8.65% senior notes due 2023.
2021-06-30	Aoyuan	Issued RMB 1.82 bn domestic bonds with a coupon rate of 6.8% and a maturity of 4 years. At the end of the second year, the issuer has the option to adjust the coupon rate, and investors have the option to sell back domestic bonds.

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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- (3) I am not, directly or indirectly, supervised by or reporting to our Investment Banking Department;
- (4) the subject company (ies) do(es) not fall into the restriction of the quiet period as defined in paragraph 16.5(g) of SFC Code of Conduct;
- (5) I do not serve as officer(s) of the listed company (ies) covered in this report; and
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Accumulate – Describes stocks that we expect to provide a relative return of between 5% and 20%.

Hold – Describes stocks that we expect to provide a relative return of between -10% and +5%.

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

2) Sector Ratings:

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

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

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