

## This Week in China

### Trend of Real Estate bond under the Credit Crisis

#### *Topic of the week:*

**Both private and local state-owned developers have experienced bond defaults, involving outstanding of more than RMB 33 bn.** Since 2018, under the general environment of financial deleveraging and the tone of the real estate industry that has not been relaxed, outstanding of defaulted debts in the real estate industry exceeds RMB 33 bn, and the debtors include private and state-owned developers. Under the combined effect of the impact of COVID-19 and the operating conditions of the developers, the number of defaulted bonds and the involved outstanding in 2020 are both the largest in recent years, reaching 19 cases and RMB 22.3 bn respectively.

**Blind diversification and mismatch of development strategy and market demand led to defaults.** Under the environment of tightening policies and slowing industry growth from 2013 to 2015, the diversification and transformation of developers has become a major trend. However, the transformation and development of some developers has dragged down the company's operations: too much focus on tourism real estate projects with longer payback periods, and obstacles to the development of industries such as high-end manufacturing, which led to increased financial pressure and defaults. From 2016 to 2017, under the combined effect of relatively loose monetary policy environment, the tone of real estate destocking, and the monetization of shed reform, the commercial housing market recovered rapidly, and the land market was extremely hot, and many developers increased their land acquisition intensity; after 2017, policies such as the tone to curb the rise in housing prices and purchase restrictions have caused certain changes in residents' housing demand. Products that are mismatched with market demand have made it difficult for some developers to quickly collect funds and reduce leverage, leading to debt defaults.

**Financing supervision may guide the industry's liquidity and leverage levels to become more healthy, more attention should be paid to the focus of main business and asset quality.** The advancement of financing regulatory policies is expected to force developers to increase the transparency of financial disclosure, enable them to passively reduce leverage, and make the industry's overall solvency performance better. Financial indicators are the result of developers' operations, and their own strategies and operations deserve more attention. If the project's sales rate, cash collection rate (corresponding to cash increase) and ROE (corresponding to equity increase) are used as the basis for judging the company's asset quality, then "high proportion in tier-1 and tier-2 cities" does not correspond to absolute "high-quality land reserves". What is more important is the matching of product location and positioning with corresponding market demand.

#### *Data points:*

As of Nov 13<sup>th</sup>, new house transaction area in 42 major cities this week decreased 12% WoW, and cumulative transaction area in 2020 remained unchanged YoY.

As of Nov 13<sup>th</sup>, saleable area (inventory) in 11 major cities this week remained unchanged WoW; average inventory period was 9.7 months, average change was 4%.

As of Nov 13<sup>th</sup>, second-hand housing transactions in 15 major cities this week decreased 5% WoW, and cumulative transaction area in 2020 fell 2% YoY.

#### *Suggestion:*

Yongcheng Coal's default has caused large fluctuations in the credit bond market, but the price of real estate bonds has been relatively less affected. In terms of policies, CBIRC will prohibit insurance capital from investing in unlisted companies that directly engage in real estate development and construction, corresponding funds may be tilted to listed developers with better financial performance. Maintain "Overweight" rating.

**Overweight**  
(Maintain)

Public WeChat account



**Hongfei Cai**

Analyst

+852 3958 4629

caihongfei@cwghl.com

SFC CE Ref: BPK 909

**Lianxin Zhuge**

Analyst

+852 3958 4600

zhugelianxin@cwghl.com

SFC CE Ref: BPK 789

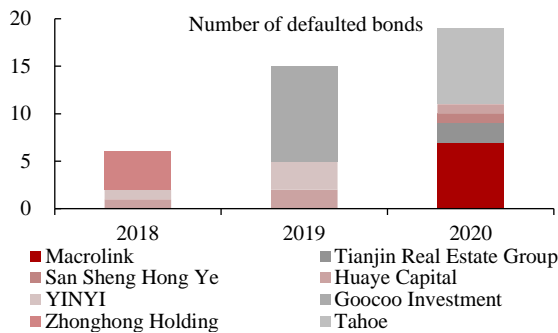
# 1. Trend of Real Estate bond under the Credit Crisis

Recently, the debt default events of Brilliance, Yongcheng Coal, etc. have brought certain pressure on the market appetite and overall performance of the credit bond market. Developers are important participants in the bond market. How is the debt default situation of real estate bonds in recent years? What are the characteristics of defaulted developers? What kind of developers' debt security is more guaranteed?

## 1.1 A review of real estate debt defaults in recent years

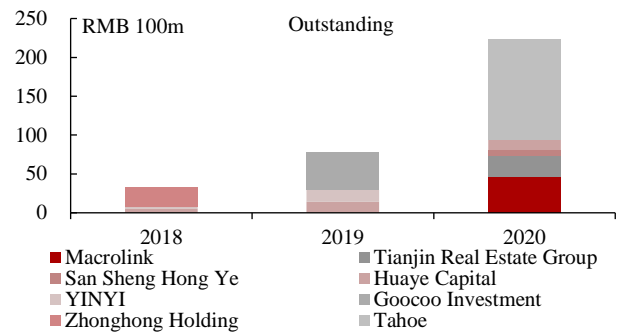
**Both private and local state-owned developers have experienced bond defaults, involving outstanding of more than RMB 33 billion.** According to Wind's data, before 2018, there were no developers' debt defaults in the open market; since 2018, under the general environment of financial deleveraging and the tone of the real estate industry that has not been relaxed, as of November 14, 2020, 7 private developers (Huaye Capital, Zhonghong Holding, Goocoo Investment, Tahoe Group, San Sheng Hong Ye, YINYI) and a local SOE (Tianjin Real Estate Group) have defaulted on bonds. The above-mentioned companies constituted material breach and triggered cross clauses of 40 debts, involving outstanding of more than RMB 33 bn. Under the combined effect of the impact of COVID-19 and the operating conditions of the developers, the number of defaulted bonds and the involved outstanding in 2020 are both the largest in recent years, reaching 19 cases and RMB 22.3 bn respectively.

**Chart 1: The number of defaults on real estate bonds has increased in recent years**



Source: Wind, CWSI Research

**Chart 2: 2020 defaulted real estate bonds involve a larger outstanding**



Source: Wind, CWSI Research

## 1.2 What are the common characteristics of the defaulted developers?

### 1.2.1 Not focusing on core business and blindly diversifying

**Under the environment of tightening policies and slowing industry growth from 2013 to 2015, the diversification and transformation of developers has become a major trend.** Since the State Council promulgated the “The five regulations of new country”(新国五条) in Feb 2013, many places have tightened controls on the real estate market by increasing the down payment ratio for second homes and increasing the supply of residential land. This has brought pressure on the increase of real estate development investment and the sales of commercial housing since 2013. In mid-2014, Hohhot took the lead in liberalizing purchase restrictions and many cities followed up. The 930 New Policy also further stimulated the commercial housing market, and the growth rate of commercial housing sales gradually stabilized and began to pick up. In Nov 2015, the 11th meeting of the Central Financial and Economic Leading Group proposed that “to resolve the real estate inventory and promote the sustainable development of the real estate industry”, the growth rate of real estate development investment began to pick up. **In this round of regulation and control cycle, some developers have made certain deviations in their judgments on the development of the industry, and have started diversification and transformation development strategies; however, abandoning the core business and blindly diversifying development that encountered obstacles caused some operational problems afterwards, which led to debt default.**

**Table 1: From 2013 to 2015, the industry policy attitude has changed significantly**

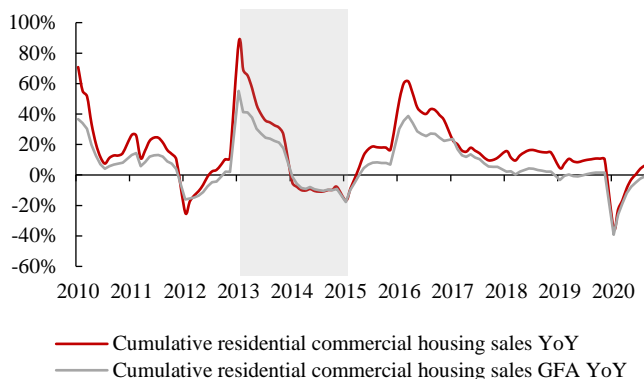
Date	City/Dept.	Document or policy	Summary
2013-02-20	State Council	The five regulations of new country	Improve and stabilize the responsibility system for housing prices; resolutely curb speculative and investment property purchases; increase the supply of ordinary commercial housing and land; etc.(完善稳定房价工作责任制; 坚决抑制投机投资性购房)
2013-03-30	Beijing	Regulations by Beijing Housing and Construction Commission	For single Beijing citizens who do not own a house, they can only purchase one house; for those who have one or more houses, the sale of houses to them in this city will be suspended.
2013-11-01	Shenzhen	Raised the down payment ratio for the second home	The down payment ratio for the second set would increase from 60% to 70%.
2013-11-08	Shanghai	Shanghai introduced the "seven regulations of Shanghai"	The down payment for the second house would raise from 60% to 70%; the social security payment period would raise from one to two years; the housing land supply would increase by 30%.



2014-06-26	Hohhot	Hohhot cancelled purchase restrictions	The purchase restriction is cancelled, and proof of housing unit number inquiry is not required when buying a house.
2014-09-30	Central Bank, CBRC	"Notice on Further Doing a Good Job in Housing Financial Services"(《关于进一步做好住房金融服务的通知》)	Reiterated that the minimum down payment ratio for the first home is 30%, and the lower limit of the loan interest rate is 0.7 times the benchmark loan interest rate. At the same time, the first set of identification standards were relaxed. For families who own a house and have already settled the corresponding house purchase loan, to improve their living conditions and apply for a loan again to purchase ordinary commodity housing, banking financial institutions should implement the first set loan policy. Restrictions on three sets loan were cancelled. Shorten the mortgage approval cycle. Encourage banking financial institutions to issue housing MBS and special financial bonds with longer maturities and target mortgage loans.(重申首套房最低首付款比例为30%、贷款利率下限为贷款基准利率的0.7倍。同时,放松首套房认定标准,对拥有1套住房并已结清相应购房贷款的家庭,为改善居住条件再次申请贷款购买普通商品住房,银行业金融机构执行首套房贷款政策。三套限贷令取消。缩短房贷审批周期。鼓励银行业金融机构通过发行住房抵押贷款支持证券(MBS)、发行期限较长的专项金融债券,定向投放房贷。)
2015-11-10	Xi Jinping	The 11th meeting of the Central Financial and Economic Leading Group	Demanding that real estate inventory should be resolved and the real estate industry should continue to develop.

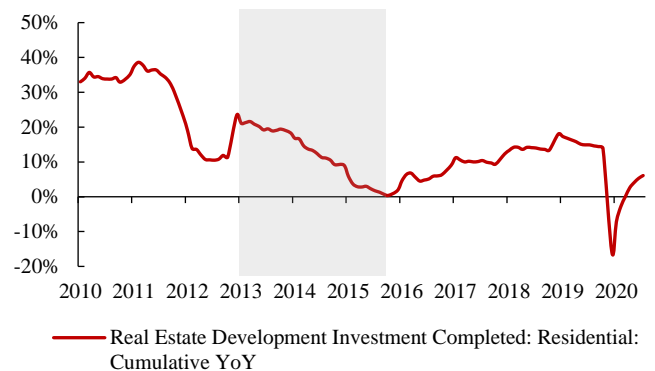
Source: Government websites, CWSI Research

**Chart 3: 2013-early 2015, the growth rate of commercial residential sales declined**



Source: Wind, CWSI Research

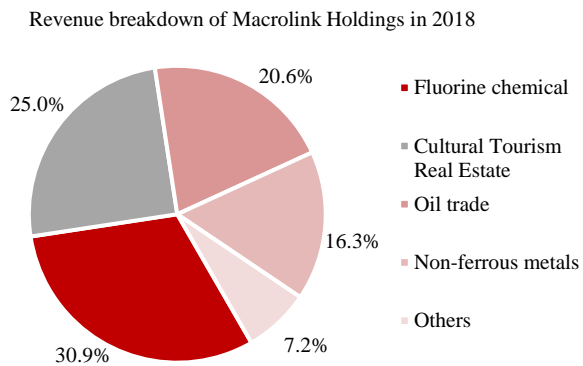
**Chart 4: From 2013 to end-2015, real estate development investment growth continued to decline**



Source: Wind, CWSI Research

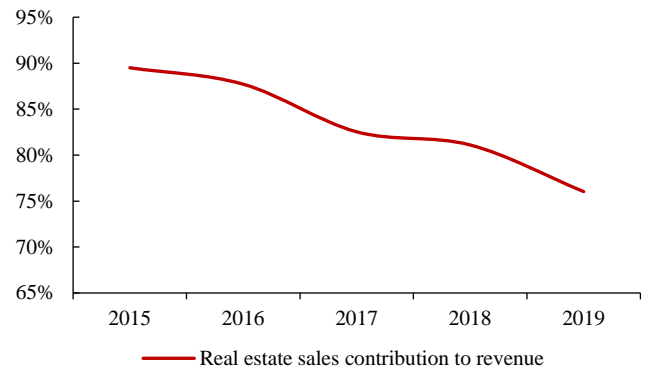
**Cultural tourism real estate projects have a long payback period, and too much focus on cultural tourism projects may increase the financial pressure on the company.** Taking Macrolink as an example, Macrolink Holding focused on chemicals, oil trade and real estate development. According to the prospectus of Macrolink Holding' ultra-short-term financing bonds, in 2018, the cultural tourism real estate business contributed 25.0% of the year's revenue, being an important source of income for the company. Since 1992, Macrolink Holdings has been involved in the real estate industry and has developed nearly 100 real estate projects. In 2011, the real estate business was listed (Macrolink, 000620.SZ) and renamed as "Macrolink Cultural Tourism Development"; in 2016, the company's first Tourism projects officially opened, accelerating the shift from residential development to cultural tourism real estate. The revenue contribution from real estate sales decreased from 89.5% in 2015 to 76.0% in 2019. Since the payback period of cultural tourism real estate projects is much longer than that of residential projects, the financial pressure of Macrolink has increased significantly after turning to the development of cultural tourism projects: Macrolink's cash to short-term debt ratio has continued to decline after 2016, from 1.55x in 2016 to 0.57x in mid-2020; net gearing also maintains a high level of more than 200%.

**Chart 5: Cultural Tourism Real Estate is an important source of income for Macrolink Holdings**



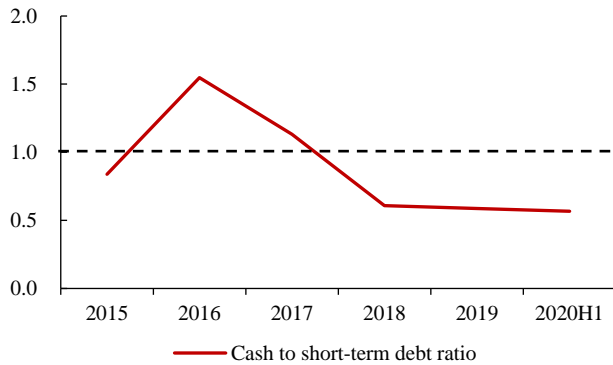
Source: "Macrolink Holdings Co., Ltd. 2019 Third Phase of Prospectus of Super Short-term Financing Bonds", CWSI Research

**Chart 6: After accelerating the layout of cultural tourism, the proportion of real estate sales revenue continued to decline**



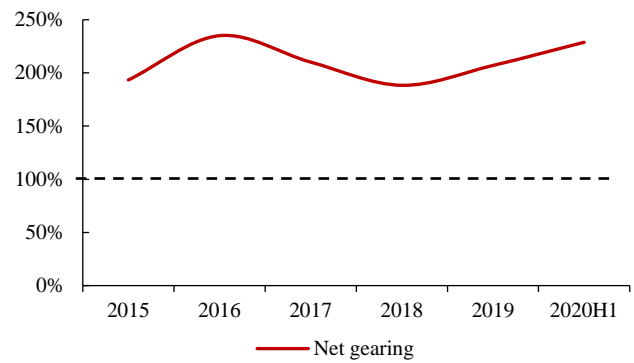
Source: Wind, CWSI Research

**Chart 7: Macrolink's cash to short-term debt ratio continued to decline after 2016**



Source: Wind, CWSI Research

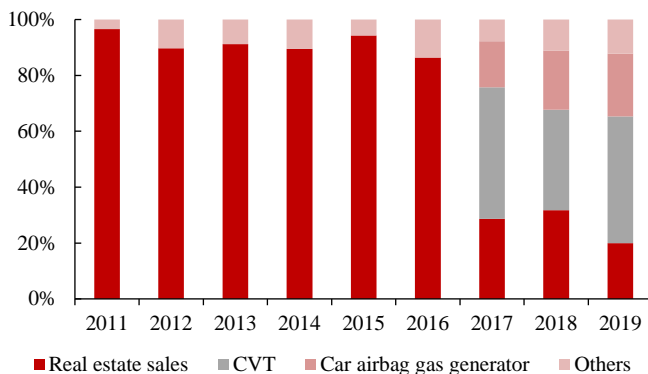
**Chart 8: Macrolink's net gearing remained high**



Source: Wind, CWSI Research

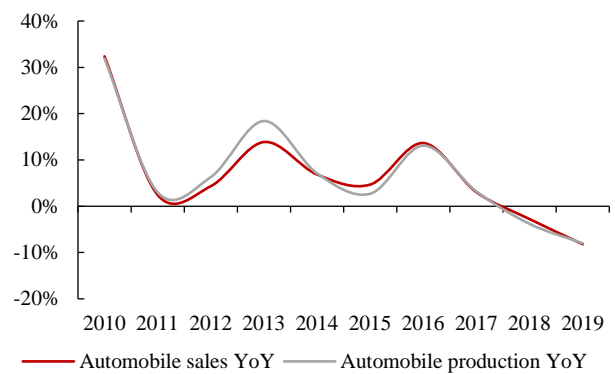
**Main business has undergone substantial transformation, and the entry into high-end manufacturing and other industries has encountered obstacles.** Take Yinyi as an example. Before 2016, real estate development contributed most of Yinyi's income; in early 2016, Yinyi proposed an overall strategic layout of "real estate and high-end manufacturing" that after acquiring the world's second largest independent gas generator manufacturer, ARC Group of the United States, it officially entered the high-end manufacturing field of automotive core parts. Under the transformation of the company's business, the contribution of real estate sales to Yinyi's revenue fell from 94.3% in 2015 to 28.7% in 2017, and only 19.9% in 2019. However, the growth rate of domestic automobile production and sales has been declining year by year since 2016. The transformation to high-end manufacturing only allowed the company to achieve a growth in 2017. The hindrance of business transformation and development has led to the company's continued decline in revenue and continuous operating losses since 2018, with its liquidity situation also further declined.

**Chart 9: The main business structure of Yinyi has changed significantly since 2017**



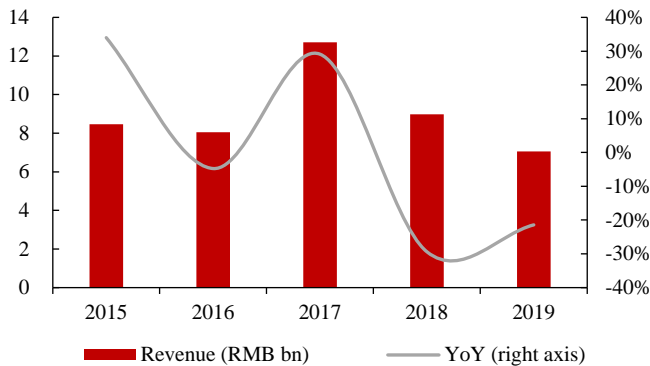
Source: Wind, CWSI Research

**Chart 10: China's auto production and sales growth rate continued to decline after 2016**



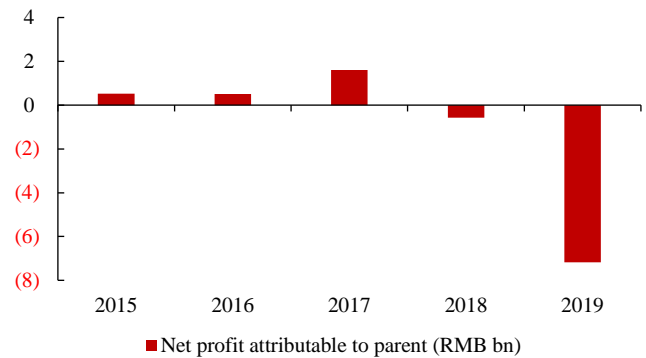
Source: Wind, CWSI Research

**Chart 11: Yinyi's revenue has declined since 2018**



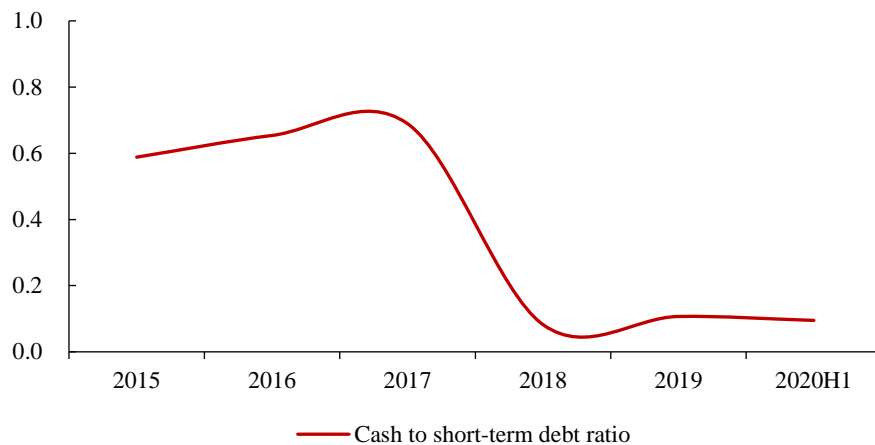
Source: Wind, CWSI Research

**Chart 12: Yinyi has shown operating losses since 2018**



Source: Wind, CWSI Research

**Chart 13: Yinyi's cash to short-term debt ratio has dropped significantly from 2018**



Source: Wind, CWSI Research

**Not focusing on the core business and blindly diversifying is an important reason for the default of many developers.** Huaye Capital's real estate projects were mainly concentrated in core areas including Beijing, Shenzhen and Dalian. Since 2015, it has expanded its business scope from real estate development to healthcare and finance through the acquisition of companies in other industries. Blind transformation has prevented the company from successfully grasping its advantages in land resources in tier-1 cities. Zhonghong holding has promoted the "A+3" strategic transformation since 2015 (the A-share listing platform to mainly focus on tourism real estate, and the three overseas companies acquired to build Internet finance, online tourism marketing and brand management platforms), focusing on diversification and transformation development has hindered the company's operations. Since 2016, San Sheng Hong Ye has acquired several big data companies; as a larger real estate company in Anhui



Province, Gocoo Investment has gradually shifted to fertilizer, medical education, intelligent manufacturing and other industries since 2016, both have not produced significant synergy with their main real estate business, and brought certain drag on the company's operations.

**Table 2: Blind diversification led to debt defaults of many developers**

Developer	Business diversification
Macrolink	After 2016, the real estate business was too focused on cultural and tourism, and the revenue contribution from real estate sales decreased from 89.5% in 2015 to 76.0% in 2019.
Yinyi	Since 2016, the main business has undergone a substantial transformation and entered the high-end manufacturing field of auto parts; after 2016, the growth rate of China's auto production and sales continued to decline, and business transformation and development were hindered.
Huaye Capital	Since 2015, it has blindly expanded its medical, financial and other businesses through acquisitions, but failed to successfully grasp its land resource advantages in tier-1 cities including Beijing and Shenzhen.
Zhonghong holding	Since 2015, the real estate business has been too focused on cultural tourism.
San Sheng Hong Ye	Since 2016, it has acquired a number of big data companies and has not paid enough attention to the development of the real estate business.
Gocoo Investment	Since 2016, it has gradually shifted to industries such as fertilizers, medical education, and smart manufacturing, not focusing enough on the main real estate business.

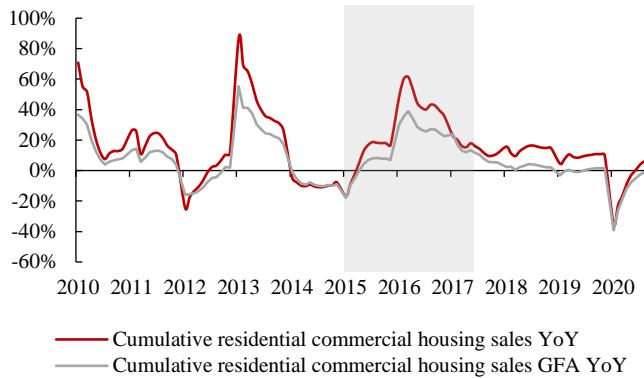
Source: Company announcements, Prospectus, CWSI Research

### 1.2.2 The business strategy is too radical, and the product does not match the demand

**From 2016 to 2017, under the combined effect of relatively loose monetary policy environment, the tone of real estate destocking, and the monetization of shed reform, the commercial housing market recovered rapidly, and the land market was extremely hot.** After many cities cancelled purchase restrictions in 2014, in 2015, the central government successively introduced policies such as reducing the down payment ratio and implementing monetization of shed reforms, and the sales of residential housing recovered rapidly. Correspondingly, from 2016 to 2017, due to the optimism about industry sales and the demand for restocking, developers were more willing to acquire land, and the premium rate of residential land has reached a high in recent 10 years.

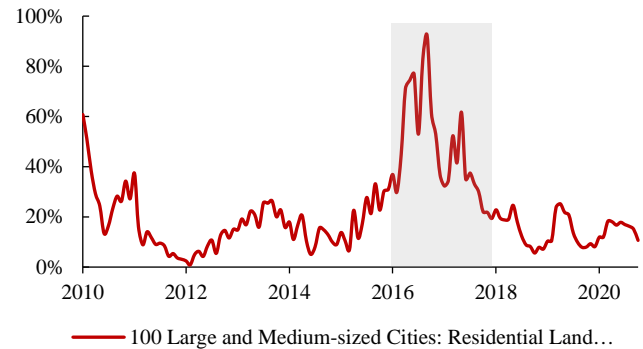


**Chart 14: From mid-2015 to mid-2017, the sales of commercial housing grew rapidly**



Source: Wind, CWSI Research

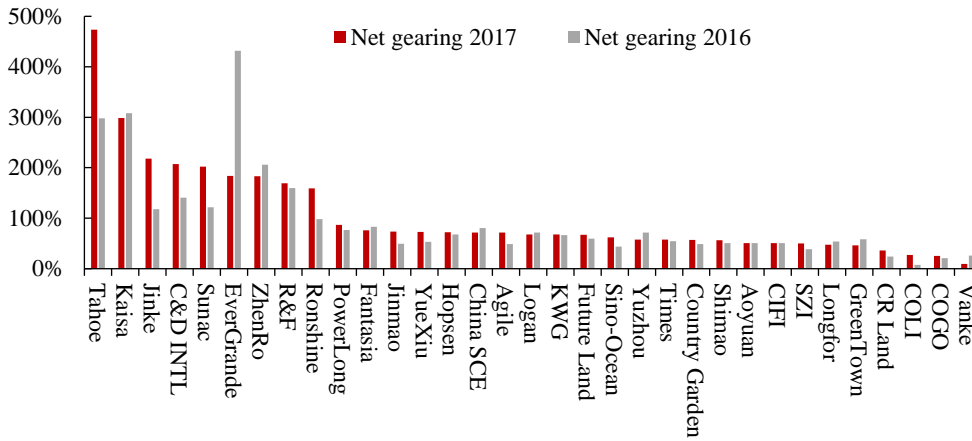
**Chart 15: From 2016 to 2017, the premium rate of residential land remained high**



Source: Wind, CWSI Research

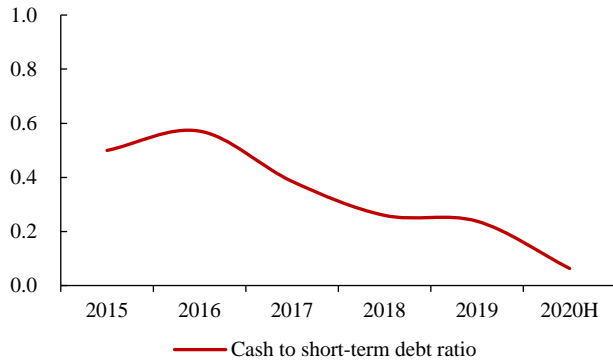
**Tahoe Group increased its leverage significantly from 2016 to 2017, and the intensity of land acquisition increased sharply. The high-end product positioning made it difficult to obtain fast cash collection and sufficient profit margins in the regulation of housing prices to optimize liquidity and leverage.** From 2016 to 2017, many developers increased their land acquisition intensity, however, Tahoe: **1) Increased leverage more aggressively:** In 2017, developers' active acquisition of land led to an increase in the overall net gearing of the industry. Among them, Tahoe has increased significantly, from 298% in 2016 to 473% in 2017, becoming the most leveraged among mainstream large and medium-sized developers. **2) had a product positioning that mismatched market demand, which has led to a continuous decline in its cash to short-term debt ratio and difficulty in rapidly reducing its leverage level:** In recent years, Under the guidance of policies such as “containment of the rapid rise in housing prices in hot cities (遏制热点城市房价过快上涨)” in the government work report in Mar 2017 and "resolutely curbing the rise in housing prices (坚决遏制房价上涨)" proposed at the Politburo meeting in Jul 2018, the overall housing prices remained relatively stable. In this environment, Tahoe's high-end product positioning and market demand have formed a mismatch, which has brought certain pressure on the company's sales rate, payment collection speed, liquidity and ROE performance; on the other hand, the profit margin of high-end products will be more affected by price constraints, and the company's profitability is not optimistic. As the project obtained in 2017 gradually entered the settlement period, the company's GPM in 2019 has dropped sharply to 16.2%, which is far lower than the average of mainstream developers of 30.2%. Insufficient profit carryover made it difficult for Tahoe to quickly reduce its level of leverage that remains high throughout the years. The above factors together led to relatively greater pressure on Tahoe's liquidity, which in turn led to the occurrence of debt default events.

**Chart 16: Tahoe's net gearing rose rapidly in 2017, and its leverage level was much higher than that of its peers**



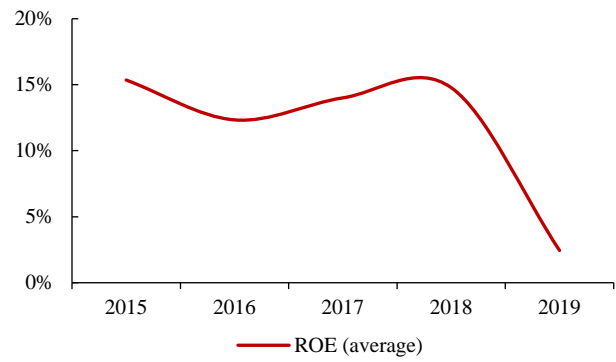
Source: Wind, CWSI Research

**Chart 17: There is a mismatch between products and demand, and Tahoe's liquidity has declined**



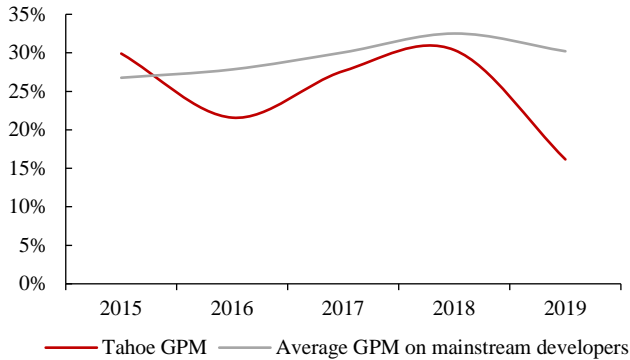
Source: Wind, CWSI Research

**Chart 18: Tahoe's ROE dropped sharply**



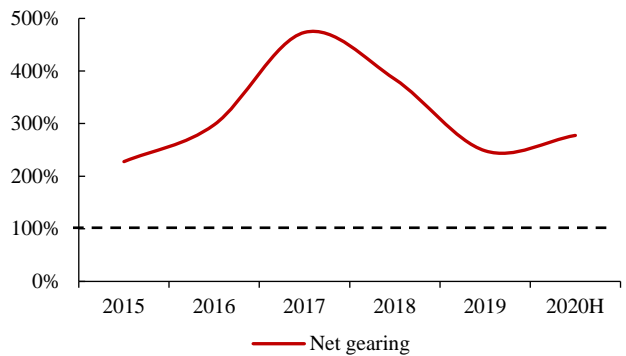
Source: Wind, CWSI Research

**Chart 19: Projects obtained in 2017 gradually entered the settlement period, and its GPM declined**



Source: Wind, CWSI Research

**Chart 20: Profit margins have narrowed, and Tahoe's net gearing has been at a high level for a long time**



Source: Wind, CWSI Research

**Development strategies that do not match market demand may put pressure on the financial situation of developers and lead to debt default incidents.** Tianjin Real Estate Group's sales have been under pressure under Tianjin's policies including purchase restrictions and loan restrictions. At the same time, large-scale project construction has brought the company greater financial pressure, which together led to debt defaults.

**Table 3: Blind diversification and mismatch of development strategy and market demand led to defaults**

Main cause of default	Developer	Summary
Not focusing on core business, blindly diversifying	Macrolink	After 2016, the real estate business is too focused on cultural tourism.
	Yinyi	Since 2016, the main business has undergone a substantial transformation, and the development of high-end manufacturing has encountered obstacles.
	Huaye Capital	Since 2015, blindly expand medical and financial businesses through acquisitions.
	Zhonghong Holding	Since 2015, the real estate business has been too focused on cultural tourism.
	San Sheng Hong Ye	Since 2016, acquired a number of big data companies.
	Goocoo Investment	Since 2016, it has gradually shifted to industries such as fertilizers, medical education, and smart manufacturing.
The business strategy is too radical, and the product mismatches market demand	Tahoe	In 2016 and 2017, increased leverage too aggressively to obtain land, high-end product price restrictions have a large impact, and there is a certain mismatch with market demand.
	Tianjin Real Estate Group	Large scale of project construction and insufficient demand in Tianjin market.

Source: Company announcements, Prospectus, CWSI Research

### **1.3 Outlook: Financial transparency is expected to improve, and asset quality of developers needs to be paid attention to**

**Financing supervision is expected to improve the financial transparency of developers, and will guide the industry's liquidity and leverage levels to become more healthy.** The advancement of financing regulatory policies is expected to force developers to increase the transparency of financial disclosure, enable them to passively reduce leverage, and make the industry's overall solvency performance better.

**Scale is not an absolute indicator of debt security.** The scales of sales is not an absolute indicator of debt security, and the degree of aggressiveness of expansion is also an important consideration. Under the pre-sale system, developers in a period of rapid expansion often have a phenomenon that their sales scale grows faster than the increase in owner's equity; if the developer pays too much attention to scale, but the subsequent profits that can be carried forward are insufficient, the growth of scale will not bring sufficient protection for the financial security.

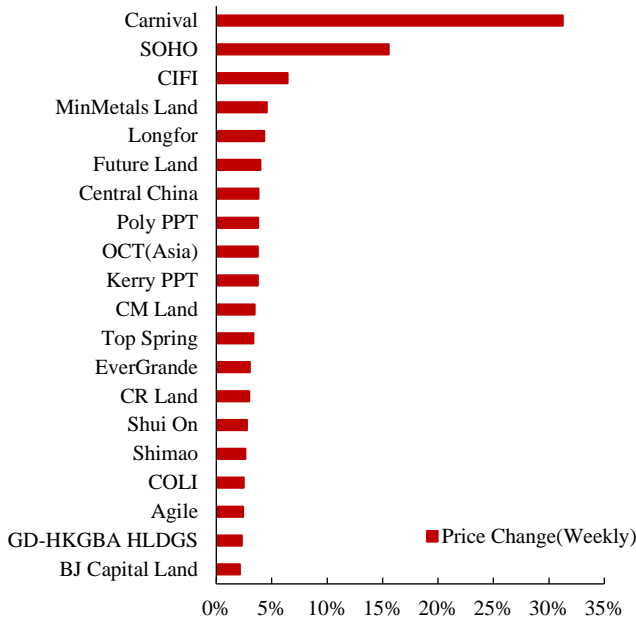
**Developers that focus on their main business and have higher asset quality may be more secure in terms of debt security.** As mentioned earlier, in the current stage, not focusing on the main business and blindly diversifying may put a certain pressure on the operation and financial status of developers. In the real estate business's operation process, the quality of land resources is extremely critical; **if the project's sales rate, cash collection rate (corresponding to cash increase) and ROE (corresponding to equity increase) are used as the basis for judging the company's asset quality, then "high proportion in tier-1 and tier-2 cities" does not correspond to absolute "high-quality land reserves". What is more important is the matching of product location and positioning with corresponding market demand.** Take Country Garden, whose land reserves in tier-3 and tier-4 cities account for a higher proportion, as an example. The differentiated products built for the improvement needs of high-net-worth people in tier-3 and tier-4 cities can quickly achieve excellent sales performance (in 2020H1, 183 project has a market share of more than 20% in local county-level markets), making the company's ROE in the forefront of the industry in recent years, maintaining a cash to short-term debt ratio of about 2.0x, and maintaining a healthy net gearing below 60%. **Financial indicators are the result of developers' operations, and their own strategies and operations deserve more attention.**

## 2. Sector Performance

### 2.1 Performance of developer sector

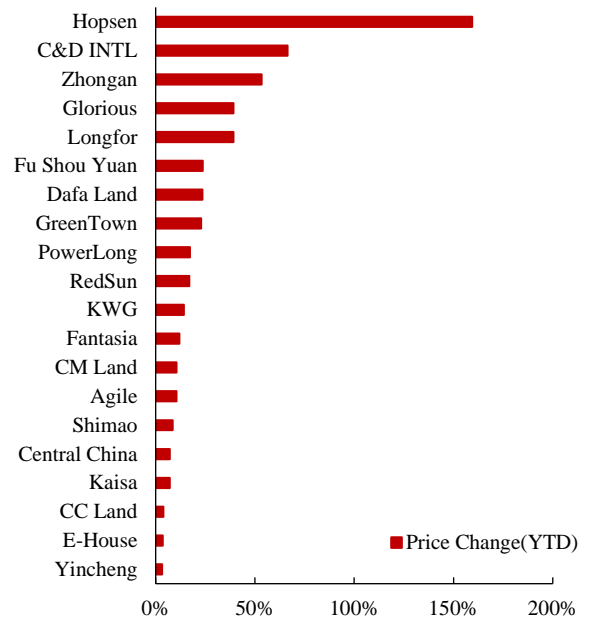
This week, Carnival, SOHO and CIFI had larger price increase than peers. Hopsen, C&D INTL and Zhongan had better share price performance, YTD.

**Chart 21: This week, Carnival, SOHO and CIFI had larger price increase than peers**



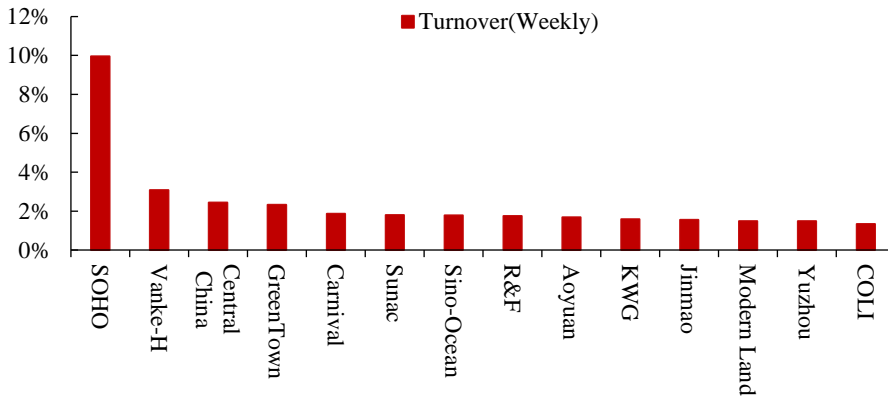
Source: Wind, CWSI Research

**Chart 22: Hopsen, C&D INTL and Zhongan had better share price performance, YTD**



Source: Wind, CWSI Research

**Chart 23: SOHO, Vanke-H, and Central China were most actively traded this week**

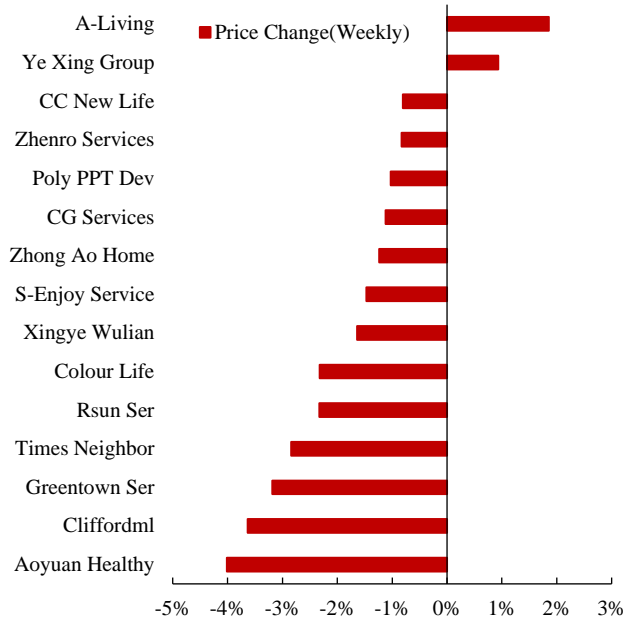


Source: Wind, CWSI Research

## 2.2 Performance of property management sector

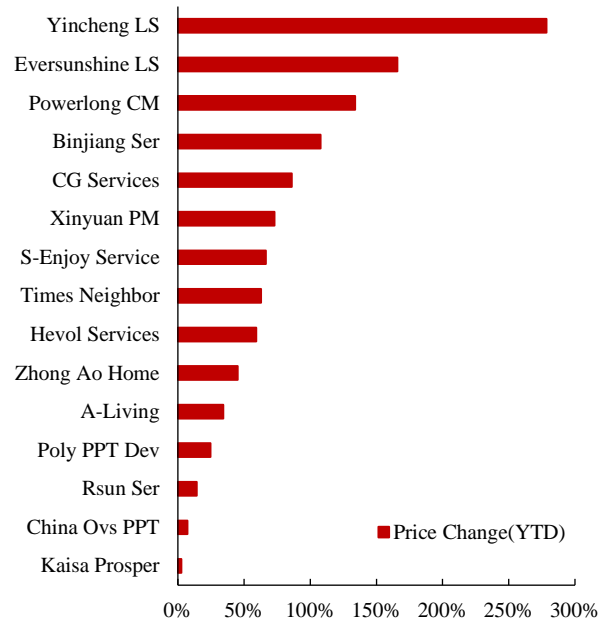
This week, A-Living and Ye Xing Group had larger price increase than peers. Yincheng LS, Eversunshine LS and Powerlong CM had better share price performance YTD.

**Chart 24: This week, A-Living and Ye Xing Group had larger price increase than peers**



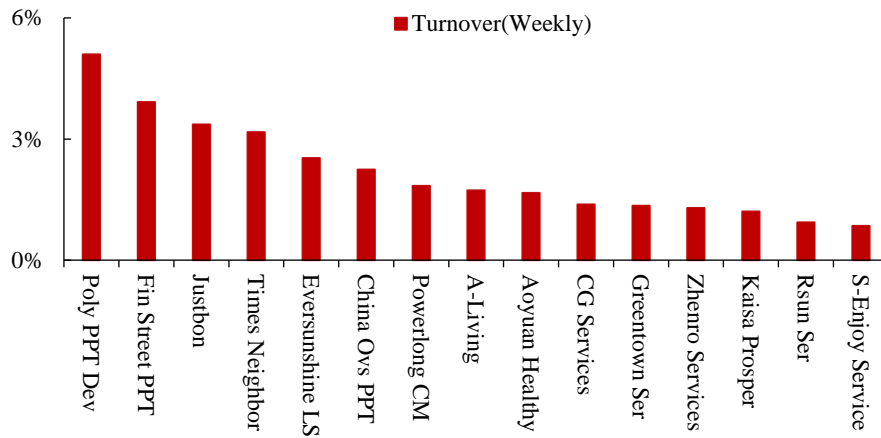
Source: Wind, CWSI Research

**Chart 25: Yincheng LS, Eversunshine LS and Powerlong CM and had better share price performance YTD**



Source: Wind, CWSI Research

**Chart 26: Poly PPT Dev, Fin Street PPT and Justbon were most actively traded this week**



Source: Wind, CWSI Research

### 3. Major cities transaction performance

#### 3.1 New house transaction data

Table 4: Major cities new house transactions volume decreased WoW this week

City & Region	Last 7 days			Last 30 days			Month to date			Year to date	
	sqm	wow	yoy	sqm 000	mom	yoy	sqm 000	mom	yoy	sqm 000	yoy
Beijing	192,240	-1%	82%	834	1%	54%	345	239%	50%	6,264	3%
Shanghai	304,400	-21%	13%	1,552	-1%	38%	600	40%	37%	11,759	-1%
Guangzhou	121,364	50%	-45%	202	-85%	-74%	202	98%	-42%	7,694	-3%
Shenzhen	139,001	-2%	91%	585	59%	95%	259	122%	84%	3,605	20%
<b>Tier 1</b>	<b>757,005</b>	<b>-6%</b>	<b>13%</b>	<b>3,173</b>	<b>-23%</b>	<b>15%</b>	<b>1,407</b>	<b>88%</b>	<b>22%</b>	<b>29,323</b>	<b>1%</b>
<b>Tier 2</b>	<b>2,633,139</b>	<b>-5%</b>	<b>-3%</b>	<b>12,136</b>	<b>21%</b>	<b>6%</b>	<b>5,200</b>	<b>76%</b>	<b>11%</b>	<b>103,772</b>	<b>0%</b>
<b>Tier 3</b>	<b>2,137,099</b>	<b>-20%</b>	<b>13%</b>	<b>12,289</b>	<b>15%</b>	<b>28%</b>	<b>4,398</b>	<b>8%</b>	<b>20%</b>	<b>101,370</b>	<b>0%</b>
Beijing	192,240	↓ -1%	↑ 82%	834	↑ 1%	↑ 54%	345	↑ 239%	↑ 50%	6,264	↑ 3%
Qingdao	289,073	↑ 19%	↑ 11%	1,489	↑ 11%	↑ 14%	532	↑ 45%	↑ 18%	13,037	↑ 8%
Jinan	255,997	↑ 12%	↑ 33%	1,201	↑ 44%	↑ 35%	447	↑ 75%	↑ 34%	9,536	↑ 10%
Dongying	104,566	↓ -21%	↑ 95%	591	↑ 130%	↑ 228%	234	↑ 177%	↑ 140%	4,013	↑ 158%
<b>PBR</b>	<b>841,876</b>	<b>↑ 5%</b>	<b>↑ 37%</b>	<b>4,115</b>	<b>↑ 27%</b>	<b>↑ 41%</b>	<b>1,559</b>	<b>↑ 93%</b>	<b>↑ 40%</b>	<b>32,850</b>	<b>↑ 16%</b>
Shanghai	304,400	↓ -21%	↑ 13%	1,552	↓ -1%	↑ 38%	600	↑ 40%	↑ 37%	11,759	↓ -1%
Nanjing	144,977	↓ -63%	↑ 20%	1,057	↑ 40%	↑ 59%	529	↑ 47%	↑ 121%	8,316	↑ 19%
Hangzhou	219,168	↑ 13%	↓ -5%	705	↑ 60%	↑ 0%	412	↑ 43%	↑ 13%	7,355	↑ 10%
Suzhou	124,440	↑ 107%	↓ -40%	626	↓ -28%	↓ -30%	168	↓ -28%	↓ -53%	9,362	↑ 6%
Wuxi	161,500	↑ 35%	↑ 58%	560	↑ 21%	↑ 2%	281	↑ 52%	↑ 45%	5,183	↓ -20%
Yangzhou	67,993	↑ 17%	↑ 23%	286	↑ 10%	↑ 42%	126	↑ 24%	↑ 13%	2,207	↑ 12%
Jiangyin	7,289	↓ -70%	↓ -86%	47	↓ -85%	↓ -87%	23	↓ -54%	↓ -85%	2,367	↓ -13%
Wenzhou	144,317	↓ -45%	↓ -22%	944	↓ -23%	↑ 7%	371	↓ -22%	↑ 17%	10,337	↓ -4%
Jinhua	33,588	↓ -52%	↓ -12%	243	↑ 45%	↑ 44%	100	↑ 51%	↑ 63%	2,041	↑ 24%
Changzhou	38,094	↓ -17%	↑ 63%	177	↑ 53%	↓ -28%	80	↑ 738%	↑ 35%	2,477	↓ -41%
Huainan	90,550	↓ -19%	↑ 21%	560	↑ 40%	↑ 33%	187	↑ 22%	↑ 23%	4,022	↓ -8%
Lianyungang	89,757	↓ -40%	↓ -23%	577	↓ -4%	↓ -1%	228	↓ -15%	↑ 0%	5,618	↓ -4%
Shaoxing	24,056	↓ -54%	↓ -34%	164	↓ -7%	↓ -14%	72	↓ -23%	↓ -2%	2,173	↑ 8%
Zhenjiang	130,933	↑ 10%	↑ 7%	627	↑ 13%	↑ 2%	229	↑ 23%	↑ 8%	5,452	↓ -19%
Jiaxing	76,200	↓ -14%	↑ 133%	395	↑ 64%	↑ 61%	165	↑ 87%	↑ 157%	2,892	↑ 22%
Wuhu	64,323	↓ -34%	↑ 208%	348	↑ 11%	↑ 113%	152	↓ -2%	↑ 232%	2,141	↑ 24%
Yancheng	122,581	↑ 56%	↑ 128%	424	↑ 29%	↑ 38%	123	↑ 26%	↑ 10%	3,315	↑ 6%
Zhoushan	16,637	↓ -37%	↓ -2%	155	↑ 28%	↑ 72%	37	↓ -40%	↑ 30%	1,198	↑ 18%
Chizhou	10,111	↓ -43%	↓ -55%	89	↑ 118%	↓ -35%	26	↑ 48%	↓ -45%	732	↓ -36%
Ningbo	166,125	↑ 32%	↑ 59%	663	↓ -14%	↑ 11%	268	↓ -10%	↑ 27%	7,034	↑ 7%
<b>YRD</b>	<b>2,037,039</b>	<b>↓ -18%</b>	<b>↑ 8%</b>	<b>10,196</b>	<b>↑ 5%</b>	<b>↑ 12%</b>	<b>4,176</b>	<b>↑ 16%</b>	<b>↑ 21%</b>	<b>95,985</b>	<b>↓ -1%</b>
Guangzhou	121,364	50%	↓ -45%	202	↓ -85%	↓ -74%	202	↑ 98%	↓ -42%	7,694	↓ -3%
Shenzhen	139,001	↓ -2%	↑ 91%	585	↑ 59%	↑ 95%	259	↑ 122%	↑ 84%	3,605	↑ 20%
Fuzhou	73,532	↓ -1%	↑ 132%	288	↓ -32%	↑ 38%	135	↑ 109%	↑ 90%	2,356	↓ 0%
Dongguan	149,635	↓ -12%	↑ 46%	829	↑ 20%	↑ 61%	270	↑ 58%	↑ 45%	5,957	↑ 30%
Quanzhou	62,978	↓ -7%	↑ 90%	425	↑ 33%	↑ 76%	123	↓ -10%	↑ 52%	2,569	↓ -14%
Putian	25,456	↓ -39%	↑ 49%	175	↑ 5%	↑ 35%	55	↓ -41%	↑ 38%	1,449	↓ -20%
Huizhou	128,030	↑ 1%	↑ 100%	526	↑ 46%	↑ 93%	255	↑ 103%	↑ 115%	2,747	↑ 15%
Shaoguan	17,764	↓ -23%	↓ -38%	140	↓ -23%	↓ -5%	36	↓ -58%	↓ -40%	1,516	↑ 8%
Foshan	253,972	↓ -13%	↑ 72%	1,426	↑ 17%	↑ 95%	467	↑ 15%	↑ 63%	10,756	↓ -6%
Jiangmen	17,539	↓ -32%	↓ -24%	159	↑ 12%	↑ 41%	36	↓ -24%	↓ -16%	1,203	↑ 21%
<b>PRD &amp; Southern China</b>	<b>989,271</b>	<b>↓ -5%</b>	<b>↑ 33%</b>	<b>4,756</b>	<b>↓ -9%</b>	<b>↑ 38%</b>	<b>1,839</b>	<b>↑ 36%</b>	<b>↑ 34%</b>	<b>39,853</b>	<b>↑ 2%</b>
Taian	61,794	↓ -21%	↑ 38%	360	↑ 8%	↑ 54%	133	↓ -12%	↑ 34%	2,378	↑ 4%
<b>Northern China</b>	<b>61,794</b>	<b>↓ -21%</b>	<b>↑ 38%</b>	<b>360</b>	<b>↑ 8%</b>	<b>↑ 54%</b>	<b>133</b>	<b>↓ -12%</b>	<b>↑ 34%</b>	<b>2,378</b>	<b>↑ 4%</b>
Wuhan	569,096	↓ -15%	↑ 28%	2,915	↑ 52%	↑ 27%	1,136	↑ 77%	↑ 35%	15,268	↓ -22%
Yueyang	38,532	↓ -29%	↑ 15%	222	↓ -1%	↑ 5%	84	↓ -17%	↑ 44%	2,040	↑ 12%
Baoji	73,538	↓ -7%	↓ -12%	385	↑ 56%	↑ 6%	145	↑ 26%	↓ -19%	2,987	↑ 9%
Ganzhou	106,377	↓ -42%	↓ -47%	839	↑ 9%	↓ -14%	290	↓ -11%	↓ -27%	7,276	↓ -9%
<b>Central China</b>	<b>787,542</b>	<b>↓ -20%</b>	<b>↑ 3%</b>	<b>4,361</b>	<b>↑ 38%</b>	<b>↑ 13%</b>	<b>1,655</b>	<b>↑ 40%</b>	<b>↑ 12%</b>	<b>27,570</b>	<b>↓ -14%</b>
Chengdu	540,721	↑ 15%	↑ 8%	2,137	↑ 43%	↑ 21%	1,003	↑ 1653%	↑ 24%	19,009	↑ 13%
Liuzhou	74,128	↓ -39%	↓ -35%	805	↓ -1%	↑ 56%	174	↓ -44%	↓ -16%	5,926	↑ 9%
Nanning	194,872	↓ -28%	↓ -68%	867	↑ 5%	↓ -56%	465	↑ 65%	↓ -53%	10,894	↓ -15%
<b>Western China</b>	<b>809,721</b>	<b>↓ -6%</b>	<b>↓ -34%</b>	<b>3,809</b>	<b>↑ 22%</b>	<b>↓ -10%</b>	<b>1,642</b>	<b>↑ 153%</b>	<b>↓ -18%</b>	<b>35,829</b>	<b>↑ 2%</b>
<b>Total</b>	<b>5,527,243</b>	<b>-12%</b>	<b>5%</b>	<b>27,597</b>	<b>11%</b>	<b>16%</b>	<b>11,004</b>	<b>42%</b>	<b>16%</b>	<b>234,464</b>	<b>0%</b>
Num. of cities Up		12	26		30	32		26	31		25
Num. of cities Down		30	16		12	10		16	11		17

Source: Local governments, CWSI Research; Note: Till 2020/11/13



**Table 5: Major cities inventory period was 9.7 months this week**

City	Inventory (sqm 000)	wow	yoy	Inventory period	Last week	wow	yoy
Beijing	12,006	0%	19%	14.4	16.2	-11%	-23%
Shanghai	6,920	-2%	-11%	4.5	4.5	-1%	-35%
Shenzhen	2,310	-2%	3%	3.9	4.4	-11%	-47%
<b>Tier 1 Average</b>		<b>-1%</b>	<b>4%</b>	<b>7.6</b>	<b>8.4</b>	<b>-8%</b>	<b>-35%</b>
Hangzhou	4,188	0%	28%	5.9	5.4	9%	28%
Nanjing	6,830	0%	29%	6.5	5.7	14%	-19%
Suzhou	8,120	4%	48%	13.0	11.3	15%	111%
Fuzhou	6,618	2%	95%	23.0	24.9	-8%	41%
Wenzhou	12,028	2%	24%	12.7	10.2	25%	16%
Quanzhou	7,000	-1%	8%	16.5	15.3	8%	-38%
Ningbo	2,495	-1%	-18%	3.8	3.5	8%	-26%
Dongying	1,765	2%	9%	3.0	3.1	-2%	-67%
<b>Overall Average</b>		<b>0%</b>	<b>21%</b>	<b>9.7</b>	<b>9.5</b>	<b>4%</b>	<b>-5%</b>

Source: Local governments, CWSI Research; Note: Till 2020/11/13; Average WoW and average YoY are defined as average change of each city

### 3.2 Second-hand house transaction and price data

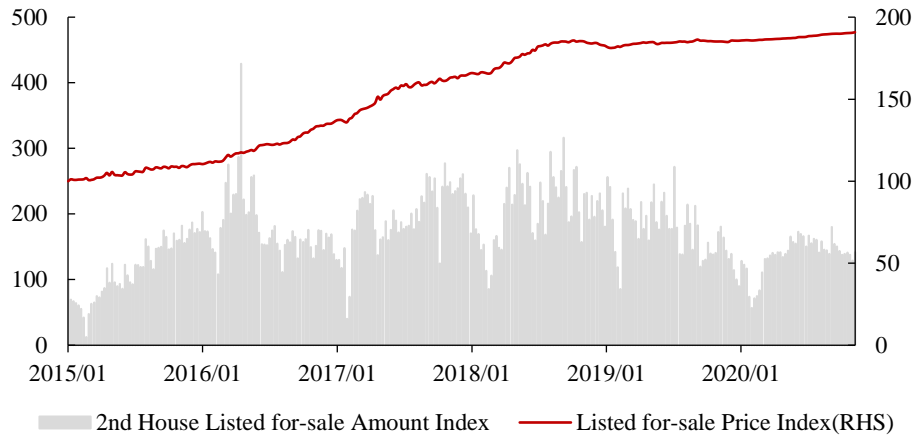
**Table 6: Major cities Second-hand house transaction volume, Jinhua and Shenzhen rose significantly YTD**

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	360,571	↑ 8%	↑ 47%	1,558	↑ 30%	↑ 69%	659	↑ 155%	↑ 54%	12,254	↑ 15%
Shenzhen	99,671	↓ -9%	↓ -35%	557	↑ 8%	↓ -19%	210	↑ 108%	↓ -20%	7,208	↑ 41%
Hangzhou	105,301	↓ -3%	↑ 51%	586	↑ 56%	↑ 81%	206	↑ 101%	↑ 65%	4,900	↑ 17%
Nanjing	175,636	↓ -34%	↓ -5%	1,011	↑ 28%	↑ 39%	387	↑ 115%	↑ 21%	8,688	↑ 38%
Chengdu	86,330	↑ 25%	↓ -59%	377	↑ 56%	↓ -57%	153	↑ 555%	↓ -60%	4,194	↓ -55%
Qingdao	114,365	↓ -2%	↑ 16%	524	↑ 28%	↑ 25%	231	↑ 124%	↑ 36%	4,652	↑ 18%
Wuxi	108,110	↑ 5%	↓ -47%	516	↑ 25%	↓ -28%	210	↑ 84%	↓ -28%	5,461	↑ 1%
Suzhou	138,400	↑ 20%	↓ -16%	582	↑ 38%	↓ -15%	253	↑ 167%	↓ -6%	5,057	↓ -43%
Xiamen	80,121	↑ 5%	↑ 45%	361	↑ 62%	↑ 50%	151	↑ 204%	↑ 56%	2,935	↓ -9%
Yangzhou	22,935	↓ -10%	↑ 6%	114	↑ 24%	↑ 21%	48	↑ 93%	↑ 38%	949	↓ -1%
Yueyang	15,133	↑ 1%	↑ 7%	71	↑ 28%	↑ 2%	30	↑ 101%	↑ 8%	600	↓ -10%
Nanning	55,581	↑ 10%	↓ -34%	206	↓ -4%	↓ -47%	106	↑ 131%	↓ -30%	2,299	↓ -19%
Foshan	174,551	↓ -4%	↑ 124%	755	↑ 19%	↑ 96%	333	↑ 99%	↑ 97%	5,510	↑ 8%
Jinhua	57,691	↓ -9%	↓ -24%	259	↑ 54%	↑ 49%	119	↑ 125%	↑ 21%	2,258	↑ 66%
Jiangmen	18,950	↑ 17%	↑ 363%	85	↑ 20%	↑ 218%	35	↑ 121%	↑ 336%	723	↓ -8%
<b>Total</b>	<b>1,613,344</b>	<b>-2%</b>	<b>-3%</b>	<b>7,562</b>	<b>30%</b>	<b>12%</b>	<b>3,130</b>	<b>132%</b>	<b>10%</b>	<b>67,691</b>	<b>-2%</b>
<b>Num. of cities Up</b>		<b>8</b>	<b>8</b>		<b>14</b>	<b>10</b>		<b>15</b>	<b>10</b>		<b>8</b>
<b>Num. of cities Down</b>		<b>7</b>	<b>7</b>		<b>1</b>	<b>5</b>		<b>0</b>	<b>5</b>		<b>7</b>

Source: Local governments, CWSI Research; Note: Till 2020/11/13

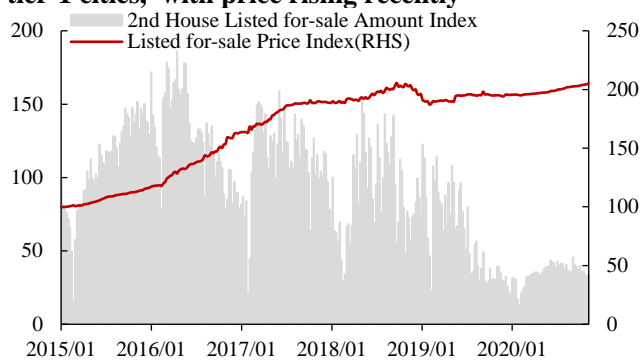


**Chart 27: 2nd house listed for-sale price index rose slightly recently**



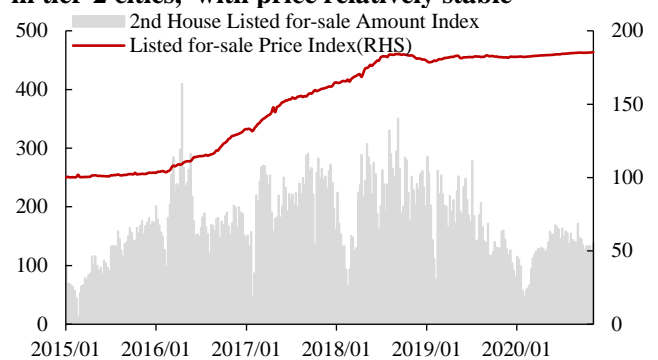
Source: Local Government, CWSI Research; Note: Till 2020/11/8

**Chart 28: 2nd house listed for-sale amount index rose in tier-1 cities, with price rising recently**



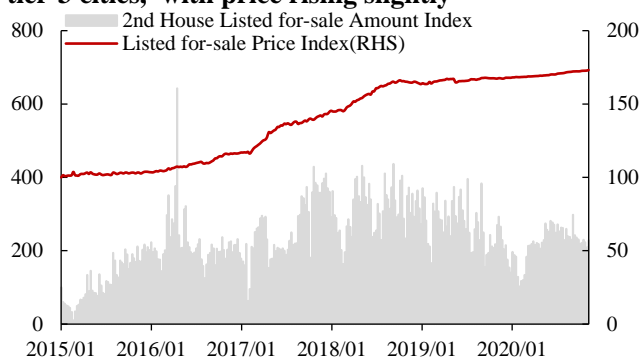
Source: Local Government, CWSI Research; Note: Till 2020/11/8

**Chart 29: 2nd house listed for sale amount index rose in tier-2 cities, with price relatively stable**



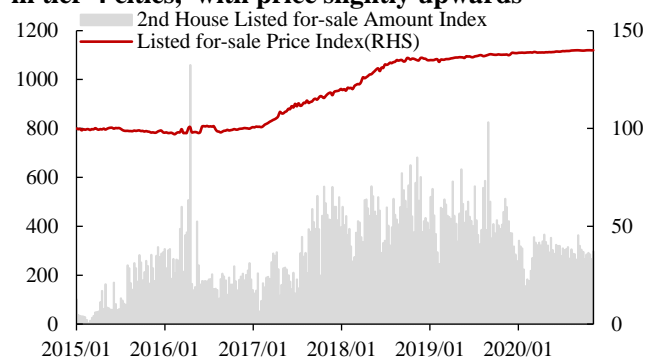
Source: Local Government, CWSI Research; Note: Till 2020/11/8

**Chart 30: 2nd house listed for-sale amount index rose in tier-3 cities, with price rising slightly**



Source: Local Government, CWSI Research; Note: Till 2020/11/8

**Chart 31: 2nd house listed for-sale amount index rose in tier-4 cities, with price slightly upwards**



Source: Local Government, CWSI Research; Note: Till 2020/11/8

## 4. Important Policies and News

### 4.1 Important Industry Policies News This Week

**Table 7: Important Industry Policies News This Week: Insurance funds will be forbidden to invest in unlisted real estate construction and sales companies**

Date	Region / Institution	Summary
2020-11-09	Zhuhai	Relaxed the requirements for talent introduction: relaxed age requirements, abolished restrictions on some skilled talents, and the requirement of "settlement first and then employment" are unified from "within three years of graduation" to "within five years of graduation", etc.
2020-11-09	Shenzhen	It is necessary to support the reform of the land management system, and properly handle disputes involving historical land, urban renewal, and construction land transfer in accordance with the law, and promote the rational circulation of Shenzhen's land resources. It is necessary to take the utilization of land as the goal, and properly handle cases involving the disposal of land assets in the reform and restructuring of state-owned enterprises and institutions, the definition of property rights of existing land assets, and listing transactions.
2020-11-10	Xi'an	Published the government-guided price standards for property management service fees, and publish relevant management measures: elevator fees and communal electricity fees will be combined into property management service fees and will no longer be charged separately; parking service fees will be reduced.
2020-11-12	Shanghai	The Party Central Committee is studying and formulating relevant documents, which will give Pudong New Area new major tasks for reform and opening up. Pudong should strive to become the central node of the domestic big cycle and the strategic link between the domestic and international dual cycles, and play a leading role in the integrated development of the Yangtze River Delta.
2020-11-13	CBIRC	In order to regulate the direct investment of insurance funds in the equity of unlisted companies, insurance funds will be forbidden to invest in target enterprises directly engaged in real estate development and construction, including the development or sale of commercial residential buildings.
2020-11-13	Ganzhou	The urban Hukou restrictions will be completely cancelled.

Source: Wind, Government website, CWSI Research



## 4.2 Key sales data announced this week

Table 8: Key sales data announced this week

Company	RIC	Jan-Oct contracted sales		Jan-Oct contracted GFA		Oct contracted sales		Oct contracted GFA	
		(RMB bn)	YoY	(000 sqm)	YoY	(RMB bn)	YoY	(000 sqm)	YoY
CR Land	1109.HK	217.1	8.2%	11629	5.7%	26.0	3.5%	1756	30.8%
CMSK	001979.SZ	216.2	20.7%	9435	2.6%	26.0	52.6%	1222	41.7%
Longfor	0960.HK	214.4	6.3%	12655	6.2%	28.0	3.7%	1669	7.1%
CIFI	0884.HK	174.4	11.9%	11572	25.4%	20.0	5.2%	1373	13.9%
Yango	000671.SZ	170.1	3.6%	12167	8.1%	-	-	-	-
Sino-Ocean	3377.HK	92.1	9.0%	4748	5.0%	16.1	30.7%	894	43.6%
Yuzhou	1628.HK	88.6	52.5%	5425	39.6%	11.5	25.2%	713	13.9%
Sinicdc	2103.HK	83.5	-	5908	-	10.1	-	-	-
China SCE	1966.HK	80.2	31.9%	5440	9.8%	11.1	82.4%	732	29.7%
BJ Capital Development	600376.SH	76.9	-0.1%	2731	2.7%	9.3	19.4%	383	56.9%
OCT HOLDING	000069.SZ	68.7	-	2848	-	7.9	-	334	-
RedSun	1996.HK	64.5	30.3%	4522	21.2%	7.7	34.1%	552	30.3%
PowerLong	1238.HK	62.4	23.6%	4067	29.6%	8.1	50.5%	526	48.8%
Poly PPT	0119.HK	42.9	32.8%	2265	24.2%	-	-	-	-
Greenland HK	0337.HK	27.1	-29.7%	2088	-15.8%	-	-	-	-
Hopsen	0754.HK	25.5	31.1%	1364	0.8%	-	-	-	-
JIAYUAN INTL	2768.HK	23.9	7.6%	2173	10.9%	4.0	0.6%	331	10.7%

Source: Wind, company announcements, CWSI Research

### 4.3 Company news and announcements

**Table 9: Company news and announcements: EverGrande terminated the reorganisation plan with Shenzhen Real Estate; Multiple companies issued USD bonds**

Date	Company	Summary
2020-11-09	KWG	Issued USD 400 mn 6.3% senior notes due 2026.
2020-11-09	CIFI	Issued USD 350 mn 5.25% senior notes due 2026.
2020-11-09	Kaisa	Purchased issued 6.75% senior notes due 2021 has been issued by cash offer.
2020-11-09	CG Services	Will make a capital injection in the amount of RMB 140 mn to Strait Energy Technology. Upon completion of the Capital Injection, the Group will hold 25.78% equity interest in Strait Energy Technology.
2020-11-09	BJ Capital Development	In October 2020, the company obtained 3 real estate projects in Nanjing, Taiyuan and Chengdu.
2020-11-09	CFLD	From October 1st to November 9th, 2020, the company obtained 6 real estate projects with a total land area of about 375,000 sqm in Jiangmen, Langfang, Jiaxing, Nanjing, and Handan for a total amount of about RMB 4.55 bn.
2020-11-09	EverGrande	Terminate the reorganisation plan with Shenzhen Real Estate. Of the RMB 130 bn equity interests held by strategic investors, strategic investors holding equity interests of RMB 86.3 bn have already entered into supplemental agreements under which the investors agreed not to require the repurchase of their equity interests and will continue to hold their interests in Hengda Real Estate; negotiations with strategic investors holding RMB 35.7 bn equity interests have been completed, and supplemental agreements will be entered into soon, and negotiations with strategic investors holding RMB 5 bn are in progress, as it would involve the asset restructuring of their own major shareholders. The Group has paid the principal of the remaining strategic investors holding RMB 3 bn equity interests in Hengda Real Estate, and will repurchase their equity interests.
2020-11-10	BRC	In October 2020, the company obtained 5 real estate projects in Xi'an, Kunming, Luzhou, Shangrao and Tongxiang.
2020-11-10	Agile	Issued additional USD 183 mn 6.05% senior notes due 2025 (to be consolidated and form a single class with the USD 300 mn 6.05% senior notes due 2025 issued on 13 october 2020).
2020-11-10	Kaisa	Issued additional USD 200 mn 11.95% senior notes due 2023 (to be consolidated and form a single series with the USD 300 mn 11.95% senior notes due 2023).
2020-11-10	CMSK	In October 2020, the company obtained 14 real estate projects in 9 cities including Ningbo, Jinhua and Nanjing.
2020-11-10	Yango	In October 2020, the company obtained 1 real estate project in Shanghai.
2020-11-11	CR Land	In October 2020, the company obtained 10 real estate projects in 9 cities including Shaoxing, Ningbo and Hangzhou.
2020-11-12	ZhenRo	Issued USD 200 mn 5.95% senior notes due 2021.
2020-11-12	R&F	An indirect wholly-owned subsidiary issued USD 360 mn 12.375% senior notes due 2022.
2020-11-12	Aoyuan	Issued USD 230 mn 5.98% senior notes due 2025.
2020-11-12	JIAYUAN INTL	Issued additional USD 100 mn 12.5 % senior notes due 2023 (to be consolidated and form a single series with the USD 200 mn 12.5 % senior notes due 2023 issued on 8 october 2020)
2020-11-13	Gemdale	Issued RMB 2 bn 3.93% medium-term notes with a maturity of 3 years.
2020-11-13	ZhenRo	Redempted USD 350 mn 12.5% senior notes due 2021.

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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Buy – Describes stocks that we expect to provide a relative return of >20%.

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:

Overweight – Describes sectors that we expect to provide a relative return of >10%.

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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