

This Week in China

Business model of Culture & Tourism real estate

Topic of the week:

Asset-heavy model relies on saleable resources and comprehensive operations to balance capital and profits, and characteristic IP is the key to asset-light expansion. Asset-heavy: 1) Relying on saleable resources: OCT balances the development expenditure of culture & tourism projects through the coordination of “tourism + real estate”, obtain supporting saleable homes and apartments around the project at a reasonable cost, and collect cash and obtain profits after sales. **2) Relying on strong operations:** Disney, Zhuhai Chimelong Ocean Kingdom, etc. have achieved a large number of attendances with their strong IP and comprehensive operating capabilities, and both ranked among the top 10 theme parks worldwide in 2019. **The core of asset-light expansion lies in powerful IP.** Fantawild (Boonie Bears Series), Worldland (Romance shows) have made efforts to asset-light expand in recent years.

The development of culture & tourism projects may help developers and local government achieve a win-win situation. 1) Scale expansion of developers: culture & tourism real estate projects are mostly located in cities with a higher level of economic development or more developed tourism, and the operation of cultural tourism projects is relatively better; at the same time, developers may use this to obtain saleable resources in key cities, laying the foundation for scale expansion. **2) Local government demands:** Under the guidance of economic transformation and upgrading and expansion of domestic demand, the development logic of land finance has changed. The introduction of key industries and the improvement of supporting construction of the city are more critical. Culture & tourism developers have undertaken the functions of area development activation and regional value enhancement, which can better solve current pain points.

In the short term, asset-heavy may still be a more suitable development model for culture & tourism projects for developers, and comprehensive development capabilities are important competitiveness. Currently, developers are still lacking in IP, the asset-heavy model that relies on saleable resources to balance cash and profits may be more appropriate. In the long run, the current IPs actively launched by developers are also expected to become brands that can help asset-light expansion. The construction of culture & tourism projects often involves area development. Take the Shenzhen Baoan Shajing plot sold in Nov 2020 as an example, the GFA of 1.31 mn sqm involves amusement facilities, hotels, office buildings, and saleable talent housing, strong comprehensive development capabilities will provide developers with important competitiveness.

Data points:

As of Mar 12th, new house transaction area in 42 major cities this week decreased 8% WoW, and cumulative transaction area in 2021 increased 123% YoY.

As of Mar 12th, saleable area (inventory) in 13 major cities this week decreased 2% WoW; average inventory period was 14.2 months, average WoW change was -10%.

As of Mar 12th, second-hand housing transactions in 15 major cities this week increased 10% WoW, and cumulative transaction area in 2020 increased 98% YoY.

Suggestion:

This week, the results of some developers have driven the underlying stock prices to rise. In terms of policy, the central bank again mentioned that financial institutions should reasonably control the growth rate and proportion of real estate loans, Zhejiang proposed that cities with fast rising housing prices can adjust housing transaction tax rates, continuing to guide the industry to return to rationality. 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. Business model of Culture & Tourism real estate

How is the development of the asset-light and asset-heavy model of culture & tourism real estate? Which model is more suitable for the culture & tourism business of developers?

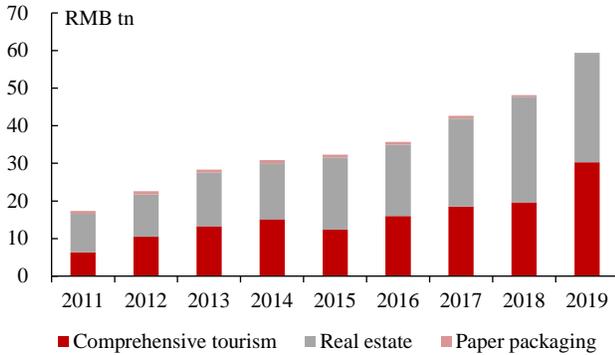
1.1 What is the business model of culture & tourism projects?

1.1.1 Asset-heavy model: sales of saleable resources, comprehensive and efficient operation to balance capital and profits

The current asset-heavy theme park project developers mainly balance large-scale capital expenditures through saleable resources and outstanding operations.

Some asset-heavy culture & tourism projects rely on the "tourism + real estate" model to achieve a cash flow balance. OCT and Wanda are representative developers in the field of cultural tourism real estate in China. Taking OCT as an example, the company's Happy Valley, OCTbay, Window of the World and other projects have outstanding brand power. In 2019, 52.09 mn attendances (+12% YoY) were achieved. As of 2019, OCT has been ranked No. 1 in Asia and No. 4 worldwide for 6 consecutive years in theme park groups ranking. From the perspective of cash flow and profit, the payback period of heavy asset investment in cultural tourism projects is longer. OCT can obtain supporting and saleable resources surrounding culture & tourism projects at a reasonable cost through the cooperation of "tourism + real estate", collect cash and profit through sales of homes or apartments, and balance the development expenditure of culture & tourism projects.

Chart 1: The revenue of OCT is mainly based on comprehensive tourism and real estate business



Source: Wind, CWSI Research; Note: The company's comprehensive tourism revenue includes the sales revenue of themed tourism real estate

Chart 2: Wuhan Happy Valley Project has become a new landmark of the city

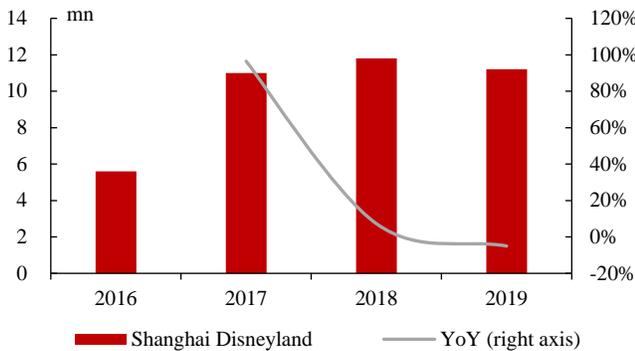


Source: Tuniu, CWSI Research

There are also some asset-heavy culture & tourism projects in China that rely on park operations to ensure cash flow. Factors such as unique IP and characteristic themes make some parks more attractive.

Strong IP supports visitor traffic. Shanghai Disneyland is also an asset-heavy project, and its excellent operating conditions provide strong support for cash flow. According to the Theme and Museum Index jointly released by Themed Entertainment Association (TEA) and AECOM, Shanghai Disneyland, which opened in June 2016, ranked among the top 25 theme parks in the world in terms of attendance from 2016 to 2019; in 2019, it ranked 10th in the world with 11.21 mn attendances. In fact, among the top 10 theme parks visited in 2019, theme parks under the Disney Group accounted for 8 seats, and the world's leading IP brought sufficient traffic to it.

Chart 3: The number of visitors to Shanghai Disneyland in 17-19 years reached 11 mn+



Source: AECOM, CWSI Research

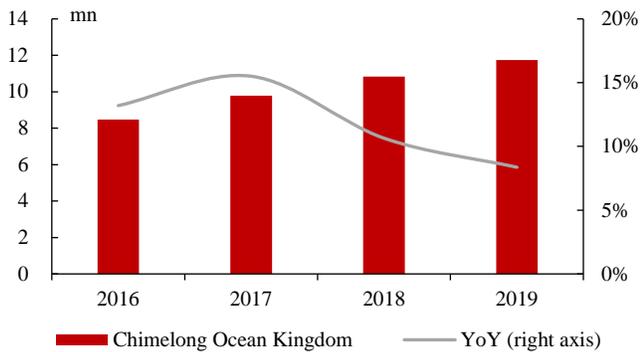
Chart 4: Prominent IP brings tourists to Disneyland



Source: Company website, CWSI Research

Comprehensive resorts can increase the frequency of tourists' consumption, and characteristic themes can attract tourists more. Zhuhai Chimelong has also continued to rank among the top theme parks in the world in recent years. In 2019, it ranked No. 1 among Chinese theme parks and No. 8 in the world with 11.74 mn attendances; Guangzhou Chimelong's attendance in 2018 and 2019 both rank 25th in the world, with approximately 4.68 mn visitors in 2019. In contrast, Zhuhai Chimelong opened late (Zhuhai Chimelong officially opened in 2014, Guangzhou Chimelong Wildlife World opened in 1997), and the theme of marine life makes Zhuhai Chimelong more popular with tourists. Comprehensive resorts can provide tourists with richer amusement options, thereby increasing their attractiveness to tourists, and to a certain extent, increase the number of tourists' consumption, so as to recover the high investment brought by the heavy-asset model.

Chart 5: Zhuhai Chimelong Ocean Kingdom attracted 11.74 mn attendances in 2019



Source: AECOM, CWSI Research

Chart 6: The unique theme of marine life makes Zhuhai Chimelong very popular



Source: Wind, CWSI Research

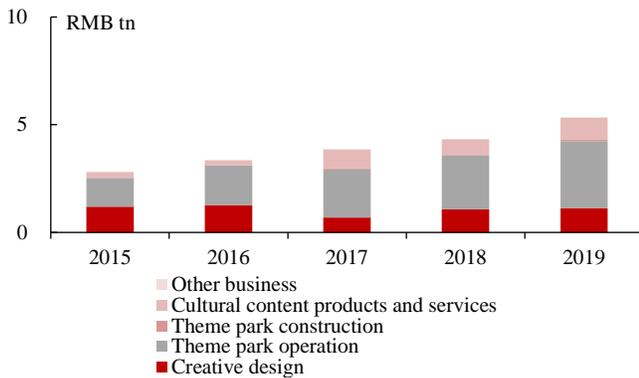
1.1.2 Asset-heavy model: reduce the cost of input capital, and strong IP is the key to output

The cultivation of core IP is the key to the transformation of culture & tourism projects from asset-heavy to asset-light. The expansion models of Fantawild and Worldland in culture & tourism projects are both shifting from asset-heavy to asset-light. The key to the transformation is that the above-mentioned companies successfully cultivated core IP in the asset-heavy stage. The core IP with the ability to attract attendance is the key to making the partners of the above-mentioned companies willing to invest in the construction of theme parks with heavy assets.

Cooperation, authorization and other modes reduce capital costs, and powerful IP helps asset-light expansion. Take Fantawild as an example, it owns a well-known domestic animation IP “Boonie Bears”: In 2012, the “Boonie Bears” series of cartoons was broadcast on CCTV Children’s Channel and received a warm response; since 2014, Fantawild has successively launched 6 “Boonie Bears” series of movies, with a total box office of nearly RMB 2.7 bn in domestic releases. Powerful IP has provided strong

support for Fantawild’s cooperation and asset-light output. Since 2012, Fantawild has already cooperated in the planning, investment, construction and operation of cultural and technological theme parks in Datong, Nanning, Changsha, Kunming, Taiyuan, etc., reducing the capital investment required for expansion. After the completion of the theme park, Fantawild will generally lease the theme park assets and be responsible for the operation of the theme park.

Chart 7: Theme park operation is the main source of income for Fantawild



Source: Wind, CWSI Research

Chart 8: The cumulative total domestic box office of the “Boonie Bears” series is nearly RMB 2.7 bn



Source: Company website, CWSI Research

Table 1: Fantawild gradually shifted to expansion through cooperative investment

Project stage	Investment method	Number of theme parks
Built	Independent	13
	cooperative	9
Proposed and under construction	Independent	0
	cooperative	20

Source: Company announcement, CWSI Research; Note: as of June 2019

Featured brands are the key to asset-light expansion. Taking Worldland as an example, its two major brands, “Songcheng” and “Romance Show” in live performing arts, can provide tourists with theme park play and eternal live show viewing services. In recent years, the company has been actively carrying out asset-light export based on its distinctive brand, providing partners with brand authorization, planning and design, director editing, custody and other services, thereby expanding its scale; as of the end of 2019, Worldland has opened and operated asset-light output projects including “Ningxiang Tanhe Romance Show” and “Moon Romance Show”, and another asset-light output project “Yellow Emperor Romance Show” is under construction.

Chart 9: Featured performance brand “Songcheng Romance Show” helps asset-light expansion



Source: Company website, CWSI Research

1.1.3 How does culture & tourism real estate development help developers and local governments achieve a win-win situation?

In terms of developers, the “culture & tourism + residential” model can help developers obtain saleable resources in key cities. The operation of culture & tourism projects requires sufficient passengers with purchasing power, which makes culture & tourism projects mostly located in cities with higher energy levels with residents with higher disposable income or cities with tourism as an important source of income. Happy Valley, a theme park chain brand under OCT, has opened 8 currently located in T1/T2 cities such as Shenzhen, Beijing, and Tianjin; Fantawild’s theme parks are mostly located in T2 cities such as Shenyang, Qingdao, Zhengzhou and cities with tourism characteristics such as Jiayuguan; the Chimelong Resorts are located in Guangzhou and Zhuhai. The characteristics of city coverage provide a certain guarantee for the cash flow balance of culture & tourism projects. On the one hand, cities with a higher level of economic development usually have more sufficient housing demand and a more sufficient passenger flow, which can to a certain extent support the sales of saleable resources such as supporting residences or apartments for cultural and tourism projects, and the operation of theme parks themselves. On the other hand, the financial situation of cities with relatively more developed economies is relatively good, which can guarantee the return of funds for culture & tourism projects, such as supporting public construction.

The demands of local governments have changed with changes in economic development models, and culture & tourism real estate projects can better solve current pain points. In the past, land finance has made a strong contribution to China’s rapid economic development; however, as China enters the development stage of economic transformation and upgrading, the demands of local governments have

shifted from GDP first to more comprehensive field of technological innovation, the number of listed companies, etc. The development logic of local “balance sheet” expansion has changed, and it is more critical to introduce key development industries and improve the city's various supporting constructions. On the other hand, culture & tourism projects can drive residents' consumption in terms of tickets, relative products, etc., and are also in line with the current orientation of building a domestic and international dual cycle with the domestic cycle as the main body.

In the process of changes in the demands of local governments and the improvement of residents' consumption levels, the current domestic theme park competition is fierce. With the development of China’s economy and the improvement of residents’ living standards, local governments’ demands for the introduction of theme park have also increased, and the supply of theme parks in major domestic cities has gradually become saturated: Domestically, by the end of 2020, OCT has deployed 24 scenic spots including Happy Valley and Window of the World in key cities such as Shenzhen, Beijing, Shanghai and Wuhan. Fantawild has put into operation more than 20 theme parks across the country under brands including Fantawild World and Fantawild Fantasy Kingdom; as of end-2020, Sunac Culture & Tourism has opened 35 parks and 7 ski resorts including theme parks and water world brands. Internationally, since Disney entered Shanghai in 2016, Universal Studios, Legoland, etc. have also accelerated their pace of coverage in China. The rapid growth of the supply of theme parks in economically developed regions has led to fierce competition for theme parks in China.

Chart 10: At the end of 2020, Sunac Culture & Tourism has opened 35 parks



Source: Company announcement, CWSI Research

Chart 11: Fantawild has deployed more than 20 projects across the country



Source: Company website, CWSI Research

1.2 Which development model is more suitable for the culture & tourism business of developers?

In the short term, asset-heavy model may still be more suitable for developers' culture & tourism projects. As mentioned above, for the asset-light expansion of cultural tourism projects, characteristic IP is a key factor; this IP may be an animation work represented by Disney and Fantawild, or a special entertainment project represented by Worldland. In the short term, current developers are still lacking in characteristic IP. However, in recent years, many developers have also actively launched IP, created distinctive brands, and gradually integrated them into projects. In the long run, it is also expected to become a brand that can help asset-light expansion. For example, after Vanke has already implemented the cool concept of “Jinchang” in Shanghai, Chongqing, Kunming and other cities across the country; Sunac acquired the well-known IP, Ali the fox and launched the retail tea shop “Ali's Tea and Shop” in Sunac's culture & tourism projects.

Chart 12: Vanke's brand “Jinchang” landed in many cities across the country



Source: Company website, CWSI Research

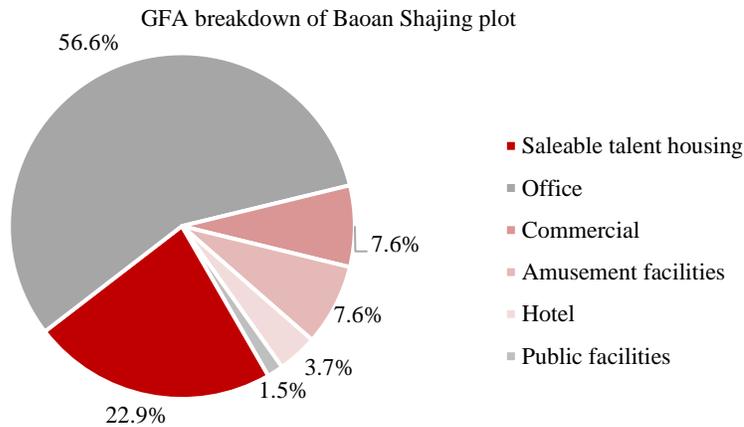
Chart 13: “Ali's Tea and Shop” has become a special attraction for Sunac Culture & Tourism Project



Source: Company website, CWSI Research

The strong comprehensive development capabilities of leading developers have more advantages in the development of culture & tourism projects. With the improvement of residents' living standards and the requirements of the level of urban supporting construction, the development of culture & tourism projects often involves not only amusement facilities, but also the development of other business types in the area. Take the Baoan Shajing Street plot in Shenzhen, which was sold in November 2020, as an example, the 1.311 mn sqm of GFA of the land contains 100,000 sqm of amusement facilities, 300,000 sqm sellable talents housing, 49,000 sqm of supporting hotels, 100,000 sqm of commercial buildings, 743,000 sqm of offices and 19,000 sqm of public supporting facilities. The strong comprehensive development capabilities of leading developers give them more advantages.

Chart 14: The plot of Shajing Street, Bao'an District, Shenzhen involves rich development formats



Source: Shenzhen Public Resources Trading Center , CWSI Research

1.3 Summary: What is the development model of culture & tourism real estate?

Asset-heavy model relies on saleable resources and comprehensive operations to balance capital and profits. 1) Relying on saleable resources: OCT balances the development expenditure of culture & tourism projects through the coordination of “tourism + real estate”, obtain supporting saleable homes and apartments around the project at a reasonable cost, and collect cash and obtain profits after sales. 2) Relying on strong operations: Disney, Zhuhai Chimelong Ocean Kingdom, etc. have achieved a large number of attendances with their strong IP and comprehensive operating capabilities, and both ranked among the top 10 theme parks worldwide in 2019.

Characteristic IP is the key to asset-light expansion. The core of asset-light expansion lies in powerful IP. Fantawild (Boonie Bears Series), Worldland (Romance shows) have made efforts to asset-light expand in recent years.

The development of culture & tourism projects may help developers and local government achieve a win-win situation. 1) Scale expansion of developers: culture & tourism real estate projects are mostly located in cities with a higher level of economic development or more developed tourism, and the operation of cultural tourism projects is relatively better; at the same time, developers may use this to obtain saleable resources in key cities, laying the foundation for scale expansion. 2) Local government demands: Under the guidance of economic transformation and upgrading and expansion of domestic demand, the development logic of land finance has changed. The introduction of key industries and the improvement of supporting construction of the city are more critical. Culture & tourism developers have undertaken the functions



of area development activation and regional value enhancement, which can better solve current pain points.

Current domestic theme park competition is fierce. With the development of China's economy and the improvement of residents' living standards, local governments' demands for the introduction of theme park have also increased, and the supply of theme parks in major domestic cities has gradually become saturated: OCT has deployed 24 scenic spots including Happy Valley and Window of the World in key cities such as Shenzhen, Beijing, Shanghai and Wuhan, Fantawild has put into operation more than 20 theme parks across the country, and Universal Studios, Legoland, etc. have also accelerated their pace of coverage in China. The rapid growth of the supply of theme parks in economically developed regions has led to fierce competition for theme parks in China.

In the short term, asset-heavy may still be a more suitable development model for culture & tourism projects for developers. Currently, developers are still lacking in IP, the asset-heavy model that relies on saleable resources to balance cash and profits may be more appropriate. In the long run, the current IPs actively launched by developers are also expected to become brands that can help asset-light expansion.

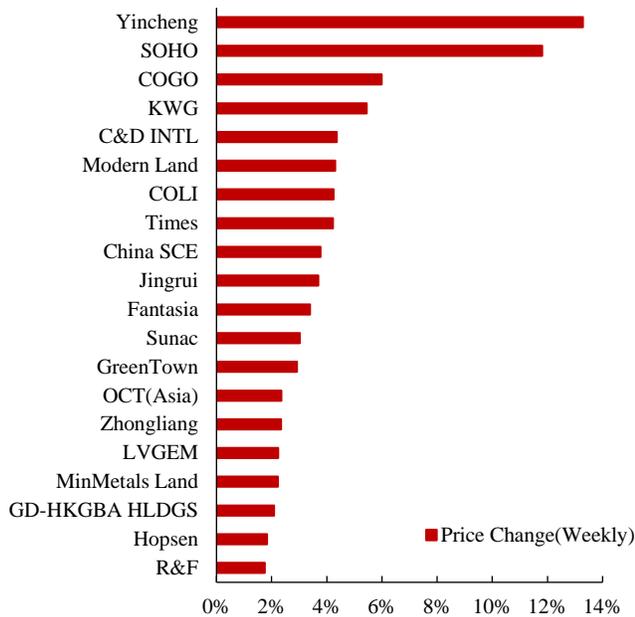
Comprehensive development capabilities are important competitiveness. The construction of culture & tourism projects often involves area development. Take the Shenzhen Baoan Shajing plot sold in Nov 2020 as an example, the GFA of 1.31 mn sqm involves amusement facilities, hotels, office buildings, and saleable talent housing, strong comprehensive development capabilities will provide developers with important competitiveness.

2. Sector Performance

2.1 Performance of developer sector

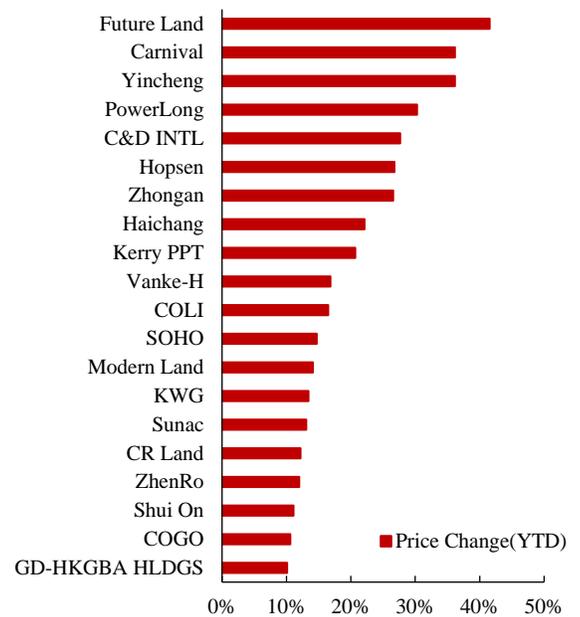
This week, Yincheng, SOHO and COGO had larger price increase than peers. Future Land, Carnival, and Yincheng had better share price performance, YTD.

Chart 15: This week, Yincheng, SOHO and COGO had larger price increase than peers



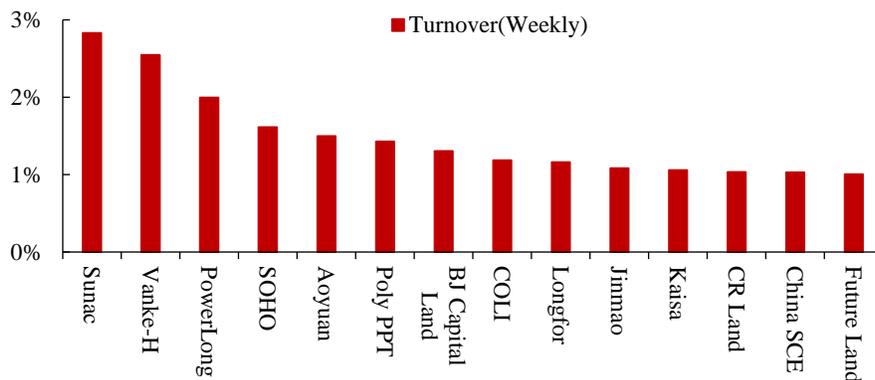
Source: Wind, CWSI Research

Chart 16: Future Land, Carnival, and Yincheng had better share price performance, YTD



Source: Wind, CWSI Research

Chart 17: Sunac, Vanke-H and PowerLong were most actively traded this week

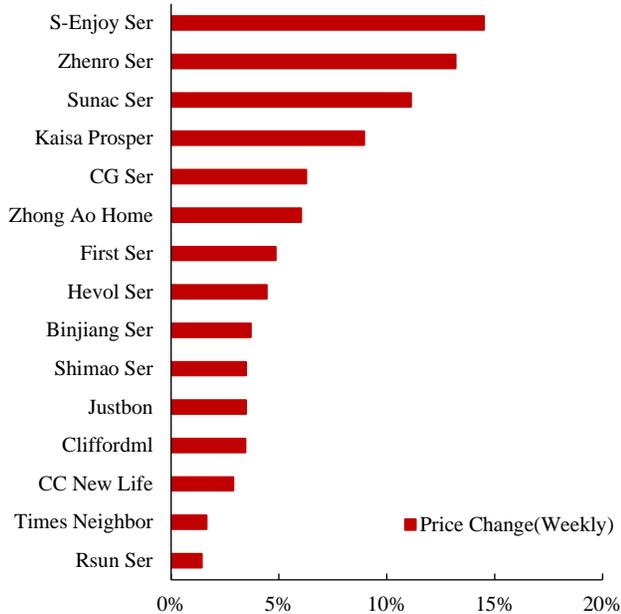


Source: Wind, CWSI Research

2.2 Performance of property management sector

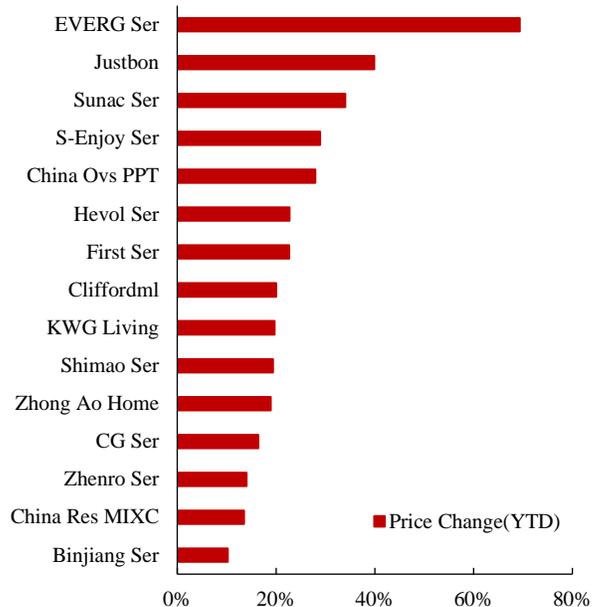
This week, S-Enjoy Ser, Zhenro Ser and Sunac Ser had larger price increase than peers. EVERG Ser, Justbon and Sunac Ser had better share price performance YTD.

Chart 18: This week, S-Enjoy Ser, Zhenro Ser and Sunac Ser had larger price increase than peers



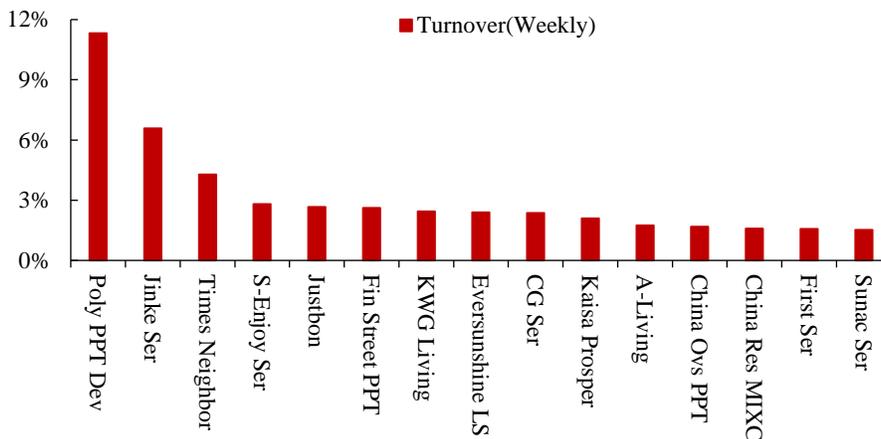
Source: Wind, CWSI Research

Chart 19: EVERG Ser, Justbon and Sunac Ser had better share price performance YTD



Source: Wind, CWSI Research

Chart 20: Poly PPT Dev, Jinke Ser and Times Neighbor were most actively traded this week



Source: Wind, CWSI Research

3. Major cities transaction performance

3.1 New house transaction data

Table 2: 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	202,371	25%	311%	602	-34%	163%	340	15%	328%	1,667	113%
Shanghai	404,200	-13%	236%	1,192	-29%	220%	751	27%	275%	3,286	180%
Guangzhou	268,557	-4%	169%	818	-42%	195%	439	-16%	213%	2,642	283%
Shenzhen	134,253	5%	48%	416	-33%	95%	239	46%	75%	1,352	166%
Tier 1	1,009,381	-3%	180%	3,028	-35%	177%	1,769	12%	218%	8,947	184%
Tier 2	2,629,871	-10%	95%	8,444	-24%	109%	5,044	14%	116%	23,822	95%
Tier 3	2,284,445	-7%	66%	8,577	-18%	151%	4,038	1%	83%	22,811	140%
Beijing	202,371	↑ 25%	↑ 311%	602	↓ -34%	↑ 163%	340	↑ 15%	↑ 328%	1,667	↑ 113%
Qingdao	293,520	↓ -5%	↑ 49%	896	↓ -22%	↑ 92%	520	↑ 41%	↑ 96%	2,412	↑ 103%
Jinan	73,315	↑ 80%	↓ -45%	389	↓ -48%	↑ 10%	114	↓ -57%	↓ -47%	1,548	↑ 68%
Dongying	56,710	↑ 18%	↑ 97%	161	↓ -53%	↑ 172%	102	↑ 102%	↑ 137%	603	↑ 268%
PBR	625,916	↑ 12%	↑ 54%	2,047	↓ -35%	↑ 85%	1,076	↑ 10%	↑ 79%	6,229	↑ 104%
Shanghai	404,200	↓ -13%	↑ 236%	1,192	↓ -29%	↑ 220%	751	↑ 27%	↑ 275%	3,286	↑ 180%
Nanjing	368,741	↑ 7%	↑ 243%	1,094	↑ 5%	↑ 123%	681	↑ 96%	↑ 192%	2,430	↑ 126%
Hangzhou	220,289	↓ -54%	↑ 86%	1,107	↑ 23%	↑ 163%	653	↑ 37%	↑ 121%	2,442	↑ 149%
Suzhou	210,215	↓ -11%	↑ 35%	692	↓ -19%	↑ 19%	420	↑ 34%	↑ 37%	1,891	↑ 52%
Wuxi	99,200	↓ -17%	↑ 14%	280	↓ -46%	↑ 25%	99	↓ -61%	↓ -26%	1,006	↑ 83%
Yangzhou	129,197	↑ 24%	↑ 184%	300	↑ 3%	↑ 265%	234	↑ 109%	↑ 210%	703	↑ 154%
Jiangyin	39,392	↓ -41%	↑ 15%	206	↓ -30%	↑ 158%	81	↓ -21%	↑ 55%	602	↑ 94%
Wenzhou	192,400	↓ -25%	↑ 90%	880	↓ -24%	↑ 258%	351	↓ -32%	↑ 109%	2,282	↑ 99%
Jinhua	63,775	↑ 62%	↑ 143%	172	↓ -52%	↑ 198%	90	↓ -28%	↑ 136%	679	↑ 356%
Changzhou	63,871	↑ 14%	↓ -11%	180	↓ -26%	↑ 16%	120	↑ 46%	↑ 5%	471	↑ 14%
Huaian	96,881	↓ -36%	↑ 48%	560	↓ -26%	↑ 194%	221	↓ -21%	↑ 99%	1,564	↑ 171%
Lianyungang	226,450	↓ -14%	↑ 124%	1,014	↑ 6%	↑ 336%	444	↑ 21%	↑ 176%	2,328	↑ 248%
Shaoxing	38,760	↓ -47%	↑ 13%	190	↓ -8%	↑ 92%	102	↑ 21%	↑ 98%	415	↑ 92%
Zhenjiang	121,434	↓ -25%	↑ 33%	458	↓ -13%	↑ 179%	241	↑ 22%	↑ 95%	1,139	↑ 118%
Jiaxing	26,306	↓ -2%	↓ -35%	118	↑ 6%	↑ 66%	53	↓ -49%	↓ -8%	324	↑ 81%
Wuhu	140,238	↓ -17%	↑ 241%	694	↑ 29%	↑ 630%	265	↑ 1%	↑ 268%	1,378	↑ 667%
Yancheng	185,914	↑ 28%	↑ 155%	424	↓ -1%	↑ 104%	186	↓ -18%	↑ 21%	1,015	↑ 162%
Zhoushan	18,509	↓ -48%	↑ 34%	84	↑ 0%	↑ 88%	42	↑ 31%	↑ 69%	196	↑ 71%
Chizhou	29,924	↓ -32%	↑ 65%	119	↑ 28%	↑ 67%	70	↑ 83%	↑ 66%	235	↑ 82%
Ningbo	186,709	↑ 21%	↑ 240%	595	↓ -21%	↑ 383%	340	↓ -2%	↑ 312%	1,741	↑ 177%
YRD	2,862,404	↓ -16%	↑ 104%	10,360	↓ -12%	↑ 158%	5,444	↑ 12%	↑ 118%	26,128	↑ 139%
Guangzhou	268,557	↓ -4%	↑ 169%	818	↓ -42%	↑ 195%	439	↓ -16%	↑ 213%	2,642	↑ 283%
Shenzhen	134,253	↑ 5%	↑ 48%	416	↓ -33%	↑ 95%	239	↑ 46%	↑ 75%	1,352	↑ 166%
Fuzhou	79,223	↓ -31%	↑ 178%	321	↑ 21%	↑ 63%	170	↑ 37%	↑ 184%	659	↑ 93%
Dongguan	34,167	↓ -55%	↓ -20%	196	↓ -74%	↑ 68%	89	↓ -52%	↑ 32%	1,233	↑ 199%
Quanzhou	48,182	↑ 167%	↑ 28%	119	↑ 17%	↑ 40%	63	↑ 53%	↑ 17%	363	↑ 37%
Putian	76,893	↑ 58%	↑ 153%	220	↑ 35%	↑ 111%	110	↑ 40%	↑ 117%	418	↑ 113%
Huizhou	44,369	↓ -19%	↑ 40%	164	↓ -43%	↑ 106%	84	↑ 14%	↑ 83%	614	↑ 152%
Shaoguan	23,224	↓ -23%	↓ -17%	110	↓ -11%	↑ 61%	43	↓ -8%	↑ 13%	268	↑ 76%
Foshan	243,297	↓ -3%	↑ 71%	730	↓ -29%	↑ 83%	393	↑ 2%	↑ 73%	2,177	↑ 120%
Zhaoqing	45,213	↓ -23%	↑ 63%	178	↓ -25%	↑ 179%	88	↑ 12%	↑ 106%	503	↑ 125%
Jiangmen	29,544	↓ -25%	↑ 44%	114	↓ -26%	↑ 201%	54	↑ 2%	↑ 101%	341	↑ 264%
PRD & Southern China	1,026,922	↓ -7%	↑ 77%	3,387	↓ -34%	↑ 106%	1,772	↑ 1%	↑ 99%	10,569	↑ 157%
Taian	55,734	↓ -34%	↑ 151%	222	↑ 7%	↑ 394%	129	↑ 80%	↑ 255%	516	↑ 186%
Northern China	55,734	↓ -34%	↑ 151%	222	↑ 7%	↑ 394%	129	↑ 80%	↑ 255%	516	↑ 186%
Wuhan	435,911	↑ 3%	-	1,250	↓ -31%	-	767	↑ 17%	-	3,816	↑ 183%
Yueyang	25,653	↓ -36%	↑ 16%	143	↓ -6%	↑ 161%	52	↓ -25%	↑ 61%	340	↑ 71%
Baoji	91,466	↑ 217%	-	206	↓ -50%	-	120	↑ 47%	-	775	-
Central China	553,030	↑ 12%	↑ 2396%	1,599	↓ -33%	↑ 2819%	939	↑ 16%	↑ 2820%	4,931	↑ 219%
Chengdu	465,504	↓ -5%	↑ 9%	1,378	↓ -31%	↑ 24%	930	↓ -5%	↑ 33%	4,126	↑ 38%
Liuzhou	97,794	↓ -24%	↑ 8%	421	↓ -8%	↑ 57%	186	↓ 0%	↑ 26%	1,015	↑ 63%
Nanning	236,393	↑ 36%	↑ 79%	635	↓ -38%	↑ 115%	375	↑ 4%	↑ 115%	2,066	↑ 41%
Western China	799,692	↑ 1%	↑ 23%	2,434	↓ -30%	↑ 45%	1,491	↓ -2%	↑ 43%	7,206	↑ 42%
Total	5,923,697	-8%	92%	20,049	-23%	135%	10,851	8%	113%	55,580	123%
Num. of cities Up		15	35		12	40		27	37		41
Num. of cities Down		27	5		30	0		15	3		0

Source: Local governments, CWSI Research; Note: Till 2021/3/12

Table 3: Major cities inventory period was 14.2 months this week

City	Inventory (sqm 000)	wow	yoy	Inventory period	Last week	wow	yoy
Beijing	11,983	-1%	10%	19.9	21.6	-8%	-58%
Shanghai	3,408	-39%	-54%	2.9	5.5	-48%	-86%
Guangzhou	8,371	-1%	12%	10.2	10.6	-4%	-62%
Shenzhen	2,432	-6%	-8%	5.8	7.4	-21%	-53%
Tier 1 Average		-12%	-10%	9.7	11.3	-20%	-65%
Hangzhou	5,008	-1%	73%	4.5	4.7	-4%	-34%
Nanjing	6,878	-2%	25%	6.3	8.1	-23%	-44%
Suzhou	8,094	-1%	47%	11.7	12.3	-5%	24%
Fuzhou	7,245	-1%	69%	22.6	23.2	-3%	3%
Nanning	8,505	0%	1%	13.4	13.9	-4%	-53%
Wenzhou	11,234	0%	8%	12.8	11.4	12%	-70%
Quanzhou	6,903	0%	-1%	57.9	74.2	-22%	-30%
Ningbo	2,976	-5%	8%	5.0	5.3	-5%	-78%
Dongying	1,868	26%	13%	11.6	11.9	-2%	-58%
Overall Average		-2%	16%	14.2	16.2	-10%	-46%

Source: Local governments, CWSI Research; Note: Till 2021/3/12; Average WoW and average YoY are defined as average change of each city

3.2 Second-hand house transaction and price data

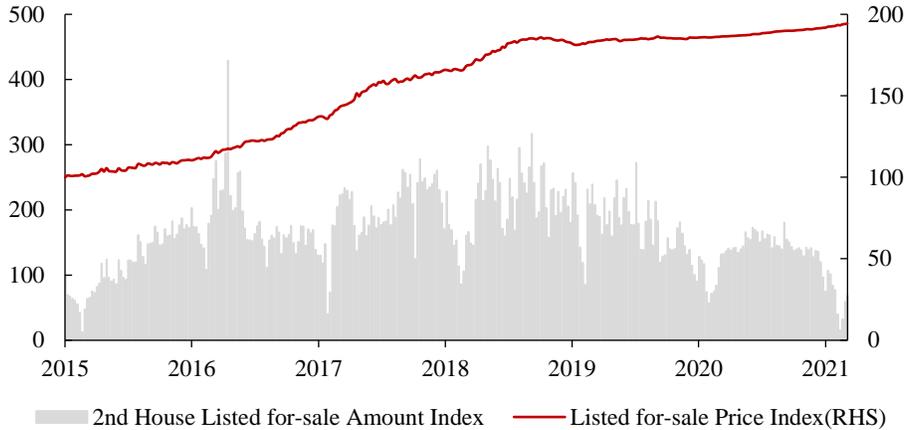
Table 4: Major cities Second-hand house transaction volume, Jinhua and Hangzhou rose significantly YTD

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	412,541	↑ 8%	↑ 205%	1,262	↓ -31%	↑ 152%	738	↑ 10%	↑ 225%	3,399	↑ 158%
Shenzhen	135,564	↑ 7%	↓ -10%	391	↓ -39%	↑ 4%	262	↑ 43%	↑ 6%	1,165	↑ 13%
Hangzhou	160,691	↑ 19%	↑ 314%	380	↓ -36%	↑ 277%	269	↑ 80%	↑ 254%	1,153	↑ 215%
Nanjing	223,044	↑ 4%	↑ 30%	728	↓ -31%	↑ 107%	425	↑ 8%	↑ 48%	2,073	↑ 123%
Chengdu	95,679	↑ 5%	↑ 67%	314	↑ 3%	↑ 117%	185	↑ 47%	↑ 82%	714	↓ -5%
Qingdao	133,582	↑ 16%	↑ 115%	383	↓ -26%	↑ 121%	243	↑ 55%	↑ 138%	1,053	↑ 109%
Wuxi	113,148	↑ 10%	↑ 55%	320	↓ -20%	↑ 124%	213	↑ 96%	↑ 85%	823	↑ 75%
Suzhou	166,383	↑ 12%	↑ 49%	482	↓ -35%	↑ 69%	314	↑ 5%	↑ 70%	1,417	↑ 83%
Xiamen	99,530	↑ 16%	↑ 88%	275	↓ -39%	↑ 85%	179	↑ 30%	↑ 113%	850	↑ 113%
Yangzhou	32,139	↑ 35%	↑ 199%	83	↓ -4%	↑ 355%	56	↑ 104%	↑ 232%	191	↑ 139%
Dongguan	30,705	↑ 8%	↓ -34%	96	↓ -52%	↓ -6%	58	↓ -8%	↓ -21%	357	↑ 17%
Nanning	35,471	↑ 19%	↓ -10%	109	↓ -27%	↑ 138%	64	↑ 14%	↑ 45%	320	↑ 40%
Foshan	146,935	↑ 14%	↑ 124%	432	↓ -37%	↑ 137%	256	↑ 19%	↑ 140%	1,333	↑ 140%
Jinhua	52,386	↓ -10%	↑ 249%	172	↓ -63%	↑ 250%	110	↓ -32%	↑ 291%	720	↑ 299%
Jiangmen	9,573	↓ -35%	↓ -8%	43	↓ -54%	↓ -1%	24	↓ -32%	↑ 16%	162	↑ 181%
Total	1,847,370	10%	77%	5,470	-33%	105%	3,396	22%	98%	15,732	98%
Num. of cities Up		13	11		1	13		12	14		14
Num. of cities Down		2	4		14	2		3	1		1

Source: Local governments, CWSI Research; Note: Till 2021/3/12

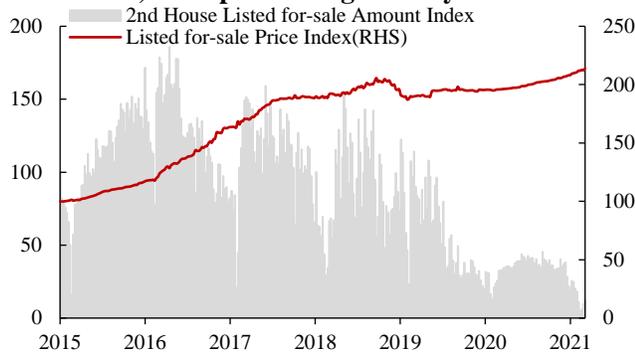


Chart 21: 2nd house listed for-sale price index rose slightly recently



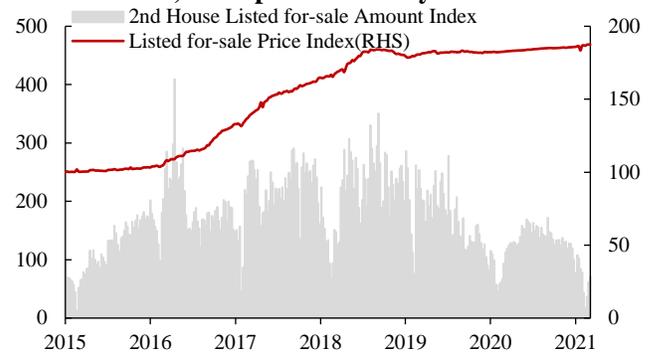
Source: Local Government, CWSI Research; Note: Till 2021/3/7

Chart 22: 2nd house listed for-sale amount index rose in tier-1 cities, with price rising recently



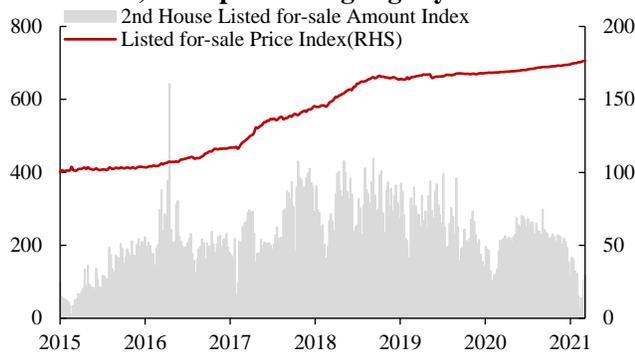
Source: Local Government, CWSI Research; Note: Till 2021/3/7

Chart 23: 2nd house listed for sale amount index rose in tier-2 cities, with price relatively stable



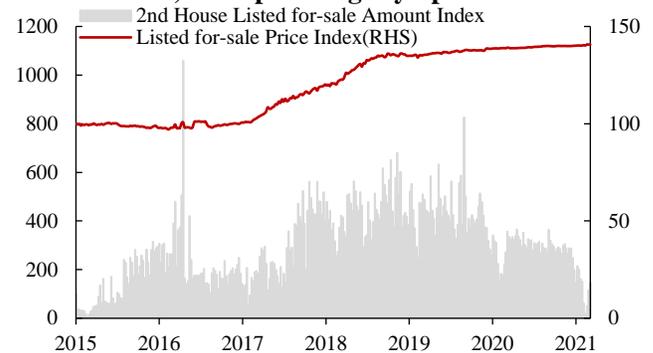
Source: Local Government, CWSI Research; Note: Till 2021/3/7

Chart 24: 2nd house listed for-sale amount index rose in tier-3 cities, with price rising slightly



Source: Local Government, CWSI Research; Note: Till 2021/3/7

Chart 25: 2nd house listed for-sale amount index rose in tier-4 cities, with price slightly upwards



Source: Local Government, CWSI Research; Note: Till 2021/3/7

4. Important Policies and News

4.1 Important Industry Policies News This Week

Table 5: Important Industry Policies News This Week: NDRC proposed to continue to lower the threshold for settlement; the central bank further mentions that financial institutions should reasonably control the growth rate and proportion of real estate loans

Date	Region / Institution	Summary
2021-03-08	Sichuan	We will adhere to the promotion of the construction of the Chengdu-Chongqing dual-city economic circle as a major political task, highlight the dual-city leadership, strengthen the interaction of the dual-circle, promote coordination between the two wings, focus on key tasks, and strive to achieve practical work results and perceivable development changes.
2021-03-08	NDRC	We will continue to lower the threshold for settlement, realize the "willingness to settle down", liberalize the restrictions on settlement in cities except for some megacities, and promote equal access to basic urban public services for permanent residents to achieve equal treatment. At the same time, we will optimize the layout of urbanization to promote coordinated development of large, medium and small cities, comprehensively improve the quality of cities and promote livability and industry.
2021-03-08	Zhengzhou	When purchasing the family's first housing using provident fund loans, the maximum loan ratio is set at 70%, and the maximum loan ratio for loans in other places and other situations is set at 40%.
2021-03-08	Beijing	It is proposed to recommend Fangshan District, Beijing as an incentive object for rural dilapidated house renovation.
2021-03-08	Wuxi	It is stipulated that natural persons and legal persons or other organizations he served as legal representative or responsible person are regarded as the same bidding applicant, and the same bidding applicant can only submit one bidding application, thus warning some real estate companies to set up fake subsidiaries to participate in land auctions.
2021-03-08	Haikou	Real estate intermediary service agencies will be implemented quantitative credit rating scores, and those with an annual credit score of less than 70 points will be assessed as D-level, and the right of use of the online transaction management system for stock houses will be banned.
2021-03-09	Shanghai	The eighth batch of housing selection activities for housing with shared property rights in Jing'an District, Shanghai has been carried out in an orderly manner. A total of 763 households participated in this batch of housing selection. There are 7 bases with a total of 1207 units available for applicant families to choose, the ratio of people to housing is 1:1.3.
2021-03-10	Zhejiang	Play the role of tax and fee adjustment, cities with fast rising housing prices can adjust the housing transaction tax rate in accordance with the law. Cooperate with real estate tax legislation. Increase the disposal of idle land, the idle land caused by the enterprise itself which has not been developed for more than 1 year, 2 years shall be collected the land idle fee at 20% of the land transfer or allocation price, and the state-owned construction land use right shall be recovered free of charge.
2021-03-11	Haikou	It is clear that the basic rent per square meter per month for 16 public rental housing communities is divided into four levels: 6.5 yuan, 7.5 yuan, 8 yuan, and 8.5 yuan, with a validity period of 2 years.



2021-03-11	Nanjing	The use of residential buildings for non-interference entrepreneurial activities does not require planning advice. it is strictly prohibited to change non-residential buildings into residential buildings, hotel-style apartments, etc. without approval.
2021-03-12	Central Bank	Financial institutions should reasonably control the growth rate and proportion of real estate loans, strictly implement differentiated housing credit policies, give priority to supporting the first set of demand for self-occupied houses, strengthen the management of personal housing loans, strictly review the authenticity of lenders' personal information, and effectively prevent consumption loans and operating loans from flowing into the real estate market in violation of regulations.
2021-03-12	Beijing	We will continue to adhere to the positioning of "houses are for living in, not for speculation", unswervingly implement the long-term real estate mechanism, focus on promoting structural reforms on the housing supply side, open up land prices and housing prices to curb irrational land acquisition, and plan to arrange 150 hectares of public rental housing this year, increase by 70 hectares compared with last year, and try our best to help new citizens and young people alleviate housing difficulties.

Source: Wind, Government website, CWSI Research

4.2 Company news and announcements

Table 6: Company news and announcements: Yincheng, BRC, etc. carried out debt financing

Date	Company	Summary
2021-03-09	ZhenRo	Redeemed all of the outstanding USD 310 mn 9.15% senior notes due 2022.
2021-03-09	BJ Capital Development	In February 2021, the company obtained 1 real estate project in Taiyuan.
2021-03-09	GreenLand	In February 2021, the company obtained 2 real estate projects in Huzhou and Jiaying.
2021-03-09	Vanke	The company will repurchase "17 Vanke 01", "18 Vanke 01" and "18 Vanke 02" corporate bonds for approximately RMB 10.842 mn, 850 mn and 1.14 bn respectively.
2021-03-09	OCT HOLDING	"18 OCT 05" corporate bonds were sold back to the company about 7.682 million for approximately RMB 770 mn.
2021-03-09	CMSK	In February 2021, the company obtained 7 real estate projects in 6 cities including Dongguan, Hangzhou and Shanghai.
2021-03-10	Sinicdc	Redeemed all of the outstanding USD 170 mn 11.75% senior notes due 2021.
2021-03-10	Gemdale	The company successfully issued 3 year RMB 1.5 bn 3.96% "21 Gemdale MTN002" medium-term notes.
2021-03-10	PRE	In February 2021, the company obtained 15 real estate projects in 14 cities including Beijing, Shijiazhuang and Taiyuan.
2021-03-10	Yango	In February 2021, the company obtained 1 real estate project in Yinchuan.
2021-03-11	Zoina	The company will issue corporate bonds not exceeding RMB 2 bn, including 4 year 6.5%~7.5% corporate bonds and 5 year 7.0%~8.0% corporate bonds.
2021-03-12	JIAYUAN INTL	Repurchase 13.75% senior notes due 2022 with principle amount of approximately USD 61.538 mn. Upon cancellation, the aggregate principal amount of the notes that remains outstanding is approximately USD 150 mn.
2021-03-12	Yincheng	Issued RMB 165 mn 11.80% senior notes due 2022.
2021-03-12	BRC	The company successfully issued 2 year RMB 1 bn 7.2% "21 BR MTN001" medium-term notes.
2021-03-12	CR Land	In February 2021, the company obtained 7 real estate projects in 7 cities including Taiyuan, Beijing and Wuxi.

Source: Company announcements, CWSI Research

4.3 Key 2020 Feb sales performance announced this week

Table 7: RedSun, Logan, etc. increased the fastest in accumulated contracted sales

Company	RIC	Jan-Feb contracted sales		Jan-Feb contracted GFA		Feb contracted sales		Feb contracted GFA	
		(RMB bn)	YoY	(000 sqm)	YoY	(RMB bn)	YoY	(000 sqm)	YoY
CMSK	001979.SZ	41.8	189.9%	1740	214.8%	17.2	580.2%	764	589.8%
PRE	600048.SH	41.8	44.7%	7508	72.0%	20.8	58.1%	3200	59.5%
CR Land	1109.HK	41.7	153.0%	2291	172.1%	17.5	220.7%	1104	222.1%
Jinmao	0817.HK	40.3	209.8%	2573	229.9%	20.2	708.0%	1159	470.9%
Longfor	0960.HK	35.3	106.2%	2129	104.7%	15.8	125.3%	958	120.7%
Yango	000671.SZ	30.6	109.0%	1860	43.0%	-	-	-	-
Jinke	000656.SZ	29.5	-	2960	-	15.3	-	1560	-
Logan	3380.HK	28.1	221.6%	1015	80.0%	12.1	357.2%	540	184.2%
PowerLong	1238.HK	15.1	213.2%	978	219.5%	8.3	536.6%	540	535.3%
BJ Capital Development	600376.SH	13.6	84.2%	401	82.9%	0.0	-	0	-
Yuzhou	1628.HK	13.5	191.2%	769	160.7%	5.8	379.2%	324	290.4%
RedSun	1996.HK	11.5	264.2%	766	223.2%	5.2	349.1%	362	316.1%
Sino-Ocean	3377.HK	10.0	53.7%	556	79.9%	4.5	50.7%	250	74.8%
BJ Capital Land	2868.HK	9.1	76.1%	404	122.0%	4.9	478.6%	217	648.3%
Poly PPT	0119.HK	5.6	75.0%	279	108.2%	-	-	-	-
JIAYUAN INTL	2768.HK	4.9	107.5%	423	106.7%	2.3	216.6%	211	233.7%
Greenland HK	0337.HK	3.1	6.5%	242	0.8%	-	-	-	-

Source: Wind, company announcements, CWSI Research; Note: Logan by attributable scale

4.4 Key 2020A results announced this week

Table 8: Sunac achieved 11.8% YoY increase in core profit, Sunac Ser increased 122.6% in net profit attributable to parent

Company	RIC	Revenue		Core Profit attributable to parent	
		(RMB bn)	YoY	(RMB bn)	YoY
Property Development					
Sunac	1918.HK	230.6	36.2%	30.3	11.8%
Property Management					
Net profit attributable to parent					
Sunac Ser	1516.HK	4.6	63.5%	0.6	122.6%
S-Enjoy Ser	1755.HK	2.9	41.6%	0.5	60.4%
Justbon	2606.HK	2.7	30.2%	0.5	24.1%
Times Neighbor	9928.HK	1.8	62.6%	0.2	141.5%

Source: Wind, 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.

Analyst Certification

The person primarily responsible for the content of this research report, in whole or in part, hereby certify that:

- (1) all of the views expressed in this report accurately reflect my personal view about the subject company(ies) and its (or their) securities;
- (2) no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report, or our Investment Banking Department;
- (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
- (6) I and/or my associates have no financial interests in relation to the listed company (ies) covered in this report.

Meanings of Central Wealth Securities Ratings

The ratings in the report are based on the market performance within 12 months after the report is released. The A-share market is based on the CSI 300 Index and the Hong Kong stock market is based on the Hang Seng Index.

1) Stock Ratings:

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%.

Disclaimer

Central Wealth Securities Investment Limited (CWSI) does and seeks to do business with the company or companies covered in this report. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Any information provided in this research report is for information purpose only and have no regards to the investment objectives, financial situation or risk tolerance level of any specific recipient and does not constitute any solicitation or any offer to buy or sell any securities or any other financial instruments. This report has not been reviewed by the Hong Kong Securities and Futures Commission. Investment is risky, before enter into any investment contract, individual should exercise judgment or seek for professional advice when necessary.

Although the information in this report is obtained or compiled from sources that Central Wealth Securities Investment Limited (CWSI) believes to be reliable, no representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the materials contained in this report. All price related information is indicative only, and value of the investment(s) referred to in this report and the income from them may fluctuate. Information contained in this report may change at any time and Central Wealth Securities Investment Limited (CWSI) gives no undertaking to provide notice of any such change.

Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Central Wealth Securities Investment Limited (CWSI) and its affiliates, officers, directors, and employees may from time to time have long or short positions in securities, warrants, futures, options, derivatives or other financial instruments referred to in this report.



In no event will the information or the opinions expressed in this report constitute investment advice for any person. In no event will Central Wealth Securities Investment Limited (CWSI) or any other member of Central Wealth Securities Investment Limited (CWSI) be liable or responsible for loss of any kind, whether direct, indirect, consequential or incidental, resulting from the act or omission of any third party occurring in reliance upon the contents of this report.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to any law, regulation, rule or other registration or licensing requirement.

This report may not be reproduced, distributed or published by any person for any purpose without the prior written consent of Central Wealth Securities Investment Limited (CWSI). All rights are reserved.