

This Week in China

What is the impact of Shanghai's Hukou relaxation?

Topic of the week:

What is the scope of the Hukou relaxation this time? How strict are the Hukou policies in other core cities? What caused the difference? What kind of urbanization development trend does Shanghai's Hukou relaxation reflect?

Direct Shanghai Hukou settlement of outstanding talents has been significantly relaxed. Shanghai has greatly relaxed the Hukou policy for talents with higher education and from key universities, including all Phd graduates, "double first-class" master graduates, and 4 top universities in Shanghai at the undergraduate stage. According to our assumptions and calculations, after the Hukou relaxation, the total number of graduates who meet the basic Hukou requirements in Shanghai will reach c. 177,000, which may accelerate the growth of Shanghai's registered population.

Differences in industrial development have led to differences in Hukou policies for graduates in tier-1 cities, Hukou threshold in Beijing and Shanghai is still relatively high. New industries in Shenzhen have a greater demand for talents, and the relatively weak local higher education has made it more relaxed in terms of Hukou policies. Relatively more traditional industries in Guangzhou may need a more relaxed Hukou policy to help industrial transformation and development. Beijing's status as the capital gives it rich industrial resources and the strictest Hukou policy. The latest changes in Shanghai are more biased towards the strength of freshmen, and **the Hukou relaxation this time is limited to relatively high-end talents.** Cities such as Nanjing, Hangzhou, Changsha, Chengdu, Wuhan, Xiamen, Xi'an have also introduced looser Hukou policies.

The looser Hukou restriction in Shanghai may reflect the start of re-aggregation stage of urban agglomerations, core cities may usher in further development breakthroughs. The process of urban development usually undergoes aggregation, dispersion and re-aggregation stages, in recent years, the development of the Yangtze River Delta urban agglomeration with the highest degree of integration is the most prominent. As a core city in the Yangtze River Delta region, Shanghai's relaxation of Hukou is also biased towards high-end talents, who are the more significant driving force for industrial transformation and upgrading. The development of domestic core cities may usher in new breakthroughs. Looking ahead, core cities of other urban agglomerations may also gradually begin to enter the re-aggregation stage, and the real estate market demand in the corresponding regions will also be supported in the medium and long term.

Data points:

As of Sep 25th, new house transaction area in 42 major cities this week increased 7% WoW, and cumulative transaction area in 2020 fell by 2% YoY.

As of Sep 25th, saleable area (inventory) in 13 major cities this week increased 3% WoW; average inventory period was 9.2 months, average change was 1%.

As of Sep 25th, second-hand housing transactions in 15 major cities this week increased 0.1% WoW, and cumulative transaction area in 2020 fell 3% YoY.

Suggestion:

This week, individual event made market risk appetite downward, and prices of related assets and sector performance were under pressure. In terms of policies, key cities including Shanghai and Tianjin have stepped up efforts in talents introduction, and some cities with overheated property markets including Dongguan and Changchun continued to increase regulation. Although the overall risk appetite of the market has undergone short-term changes due to the event, the overall policy of the industry remains stable and the fundamentals remain sound. Maintain "Overweight" rating.

Overweight

(Maintain)

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1. What is the impact of Shanghai's Hukou relaxation?

A few days ago, Shanghai introduced a relaxation policy on Hukou policy for fresh graduates. What is the scope of the Hukou relaxation this time? How strict are the Hukou policies in other core cities? What caused the difference? What kind of urbanization development trend does Shanghai's Hukou relaxation reflect?

1.1 What is the scope of the Hukou relaxation this time?

Direct Hukou settlement of outstanding talents has been significantly relaxed. Comparing the 2019 and 2020 "Measures for Shanghai Municipality's Household Registration Scoring Procedures for Non-Shanghai Graduates Applying for Employment in Shanghai" formulated and released by the Shanghai Joint Conference on Employment of College Graduates, the biggest change this year is the widening of direct Hukou application scope after meeting basic application requirements. According to the new policy, Phd graduates can directly apply for Shanghai Hukou if they meet the basic application requirements. For master graduates, "world-class university construction universities" and "world-class discipline construction universities" construction disciplines (referred to as "double first-class"), Chinese Academy of Sciences research institutes in Shanghai, ShanghaiTech University and Shanghai New York University can apply for Shanghai Hukou if they meet the basic application requirements. For undergraduates, in addition to undergraduate graduates from Peking University and Tsinghua University, the "world-class university construction universities" in Shanghai have been added this time, corresponding to Fudan University, Tongji University, Shanghai Jiaotong University and East China Normal University. On the whole, **Shanghai has greatly relaxed the Hukou policy for talents with higher education and from key universities, including all Phd graduates, "double first-class" master graduates, and 4 top universities in Shanghai at the undergraduate stage.**

Table 1: In 2020, Shanghai has substantially relaxed the requirements for directly obtaining a Hukou

Basic application requirements	Scope of non-Shanghai students who can acquire Shanghai Hukou after meeting the basic application requirements	
	2019	2020
<ul style="list-style-type: none"> ·Employer requirements: Party and government organs, public institutions, social organizations, foundations, and social service organizations in the Shanghai administrative area; companies that conform to the development direction of Shanghai's industry with a good reputation, have a registered capital of more than RMB 1 mn(inclusive), and registered before a specific time; those who do not meet the above conditions can still apply. ·Non-Shanghai graduates requirements: comply with laws, regulations and rules; be included in the unified national enrollment plan of ordinary colleges and universities; have no labor relationship or employment relationship with any employer during the school period, and have not paid social security; signed an employment agreement or contract with an aforementioned employer for a period of more than one year. 	Fresh graduates with undergraduates stage in Tsinghua University and Peking University	<ul style="list-style-type: none"> ·All PhD graduates ·Master graduates of "World-class university construction university" and "world-class discipline construction university" construction discipline (referred to as "double first-class"), Chinese Academy of Sciences research institutes in Shanghai, ShanghaiTech University and Shanghai New York University ·Fresh graduates with undergraduate stage in Tsinghua University, Peking University, Fudan University, Tongji University, Shanghai Jiaotong University and East China Normal University

Source: Government website, CWSI Research

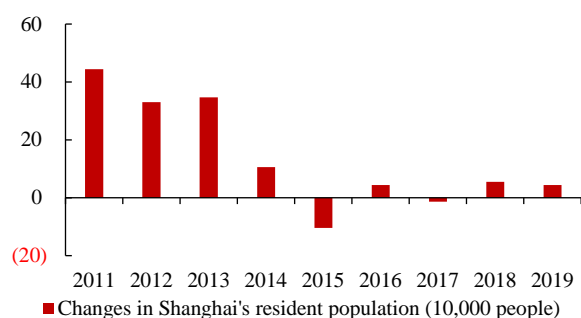
There is no obvious change in the point calculation of this policy. For graduates who do not meet the aforementioned conditions, they still need to apply Hukou through points. Comparing the points settlement policy in 2020 and 2019, the changes in the points calculation are not obvious, only slightly changed in terms of employers. In the 2020 policy, if the applicant's employer is a Shanghai elementary school or a kindergarten, the applicant will receive 2 points. If the applicant is a Shanghai elementary and middle school full-time teacher of physical education and a Shanghai kindergarten full-time teacher, the applicant will get 1 point, reflecting the inclination of Shanghai's Hukou policy for basic education talents.

The point Hukou policy has brought certain obstacles for some freshmen to settle in Shanghai in the past. In 2019 and 2020, the requirements for graduates of non-Shanghai colleges and universities to apply for Shanghai Hukou are both 72 points, and the scores for each term are roughly the same. The point requirement has brought certain difficulties for fresh graduates to settle down in Shanghai in the past. Even if the applicant is a Phd graduate in "double first-class" universities, the applicant may still need to collect points through academic performance rankings, foreign language

proficiency, computer proficiency, contest awards, scientific research and innovation achievements, national western planning services and other channels.

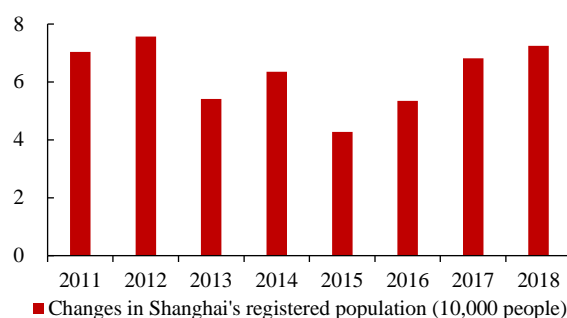
This relaxation may lead to a certain increase in Shanghai's registered population in the short term. The difficulty of obtaining a Hukou is an important consideration for fresh graduates to choose a city for employment. In recent years, cities such as Beijing and Shanghai have imposed restrictions on the total population: at the end of 2015, Beijing and Shanghai respectively mentioned in the "13th Five-Year" planning proposal that the total resident population of the city during the "13th Five-Year" period should be controlled at 23 mn and 25 mn, respectively. At the same time, Shenzhen and many tier-2 cities have frequently introduced policies for talents introduction in recent years. Under the combined effect of the above factors, the growth of Shanghai's resident population has slowed down significantly in recent years, the number of resident population has decreased in 2015 and 2017. In 2019, the resident population of Shanghai was approximately 24.28 mn. Regarding the registered population, Beijing and Shanghai's Hukou are more difficult to obtain than other cities'. Therefore, the growth of Shanghai's resident population and registered population is relatively stable. Although Shanghai's newly registered population has continued to grow since 2015, however, the increase in registered population in 2018 was only 72,500, while the registered population of Shanghai in 2018 reached 14.62 mn.

Chart 1: Shanghai's resident population growth has slowed down significantly in recent years



Source: Wind, CWSI Research

Chart 2: Shanghai's registered population has grown relatively stable in recent years



Source: Wind, CWSI Research

The new graduates involved in the Hukou relaxation this time are even larger. According to the National Education Development Statistical Bulletin of the Ministry of Education in 2019, in 2019, there were 62,600 Phd graduates, 577,100 master graduates, and 3.95 mn general undergraduate graduates. If calculated according to the proportion of the number of double-first-class construction universities (42 first-class university construction universities, 95 first-class discipline construction universities) in the total number of universities (828 postgraduate institutions in 2019), the number of double-class master's graduates reached c. 95,500 people. According to the 2019 Graduate Employment Quality Report of Tsinghua University, Peking University,

Fudan University, Shanghai Jiaotong University, Tongji University, and East China Normal University, the total number of undergraduate graduates from the above six universities in 2019 is about 18,600. Although a relatively large proportion of undergraduates from the above-mentioned six universities choose to continue their studies after graduation, the relaxation of the policy is not only for the fresh graduates of the above-mentioned six universities, but for the fresh graduates with undergraduate stage in the above-mentioned six universities. According to our assumptions and calculations, after the Hukou relaxation, the total number of graduates who meet the basic Hukou requirements in Shanghai will reach c. 177,000 based on the 2019 graduates of each degree, which may accelerate the growth of Shanghai's registered population.

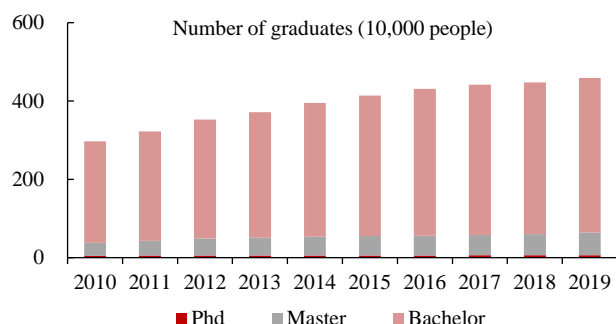
Table 2: The Hukou relaxation may significantly increase Shanghai's registered population

	Phd	Master	Bachelor	Total
Number of graduates in 2019 (10,000 people)	6.26	57.71	394.72	458.69
Number of institutions in 2019	-	828	-	
Number of double first-class universities	-	137	-	
Estimated number of double first-class graduates (10,000 people)	-	9.55	-	
Number of undergraduate graduates from six target universities in 2019 (10,000 people)	-	-	1.86	
Number of fresh graduates who meet the basic requirements for settlement in Shanghai (10,000 people)	6.26	9.55	1.86	17.67

Source: Ministry of Education, Tsinghua University, Peking University, Fudan University, Shanghai Jiaotong University, Tongji University, East China Normal University Graduate Employment Quality Report 2019, CWSI Research

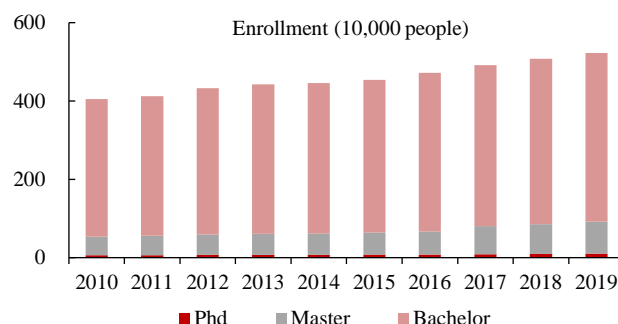
The Shanghai Hukou relaxation for high-end talents may accelerate the growth of the number of registered population in Shanghai. In recent years, the number of graduates and enrollment of various degrees of higher education in China has continued to increase, and the number of doctoral students who meet the basic requirements for settlement will continue to increase in the next few years; the enrollment of double-class universities and six undergraduate colleges are also relatively stable. With the increase in the base of potential settlers who meet the basic conditions, Shanghai's registered population may accelerate its growth.

Chart 3: The number of graduates of higher education in continues to increase



Source: Wind, CWSI Research

Chart 4: The number of enrollment of higher education continues to increase



Source: Wind, CWSI Research

1.2 Why does Shanghai relax Hukou policy at present?

The attractiveness of the urban population of tier-1 cities is still among the top in the country, but there are certain differences. According to the "Research Report on China's Urban Vitality" on Baidu Map Huiyan, in 2020Q2, Shenzhen, Guangzhou, and Dongguan ranked among the top 3 cities in terms of population attractiveness, while Shanghai and Beijing only ranked 4th and 5th respectively. Currently, Shanghai's population attractiveness is weaker than that of the 3 cities in the GBA. There are many reasons for the differences in the attractiveness of urban populations, including the difficulty of Hukou obtaining, job opportunities, urban tolerance and climate, among which industrial development is the core reason.

Table 3: Population attractiveness of tier-1 cities still ranks among the top

2020Q2 Ranking	City	YoY
1	Shenzhen	↑ 2
2	Guangzhou	↓ 1
3	Dongguan	↑ 1
4	Shanghai	↑ 1
5	Beijing	↓ 3
6	Suzhou	-
7	Hangzhou	↑ 3
8	Foshan	-
9	Chengdu	↓ 2
10	Wuhan	↑ 1

Source: Baidu Map Huiyan, CWSI Research

The movement of population is highly correlated with industrial development. The economic growth of a city comes from the development of the industry, and talents are an important driving force for the development of the industry; a city with a good

industrial development trend can provide more job opportunities and attract more talents.

The advantageous industries of cities with the highest population attractiveness are different. Shenzhen and Dongguan have fewer traditional industries. Shenzhen takes high-tech industries, financial industry, modern logistics industry and cultural and creative industries as the four pillar industries, which are all important industries in the current process of industrial transformation and upgrading. Guangzhou has advantages in industries such as automobile manufacturing, electronic information, petrochemical, and light industry manufacturing, with more traditional industries. Dongguan continues to develop in electronic information and advanced manufacturing. Companies such as Huawei also have R&D laboratories in Dongguan. Shanghai's modern service industry is developing rapidly. By 2035, it aims to become a world-influential economic, financial, trade, shipping, and technological innovation center. At present, it is also actively transforming and upgrading traditional industries, adjusting and eliminating outdated production capacity, and fostering new drivers of manufacturing. Beijing, as China's political center, cultural center, international exchange center, and scientific and technological innovation center approved by the State Council, has a very strong siphon effect and unique advantages in the introduction of industries and population.

Table 4: The advantageous industries of cities with high urban population attractiveness show certain differences

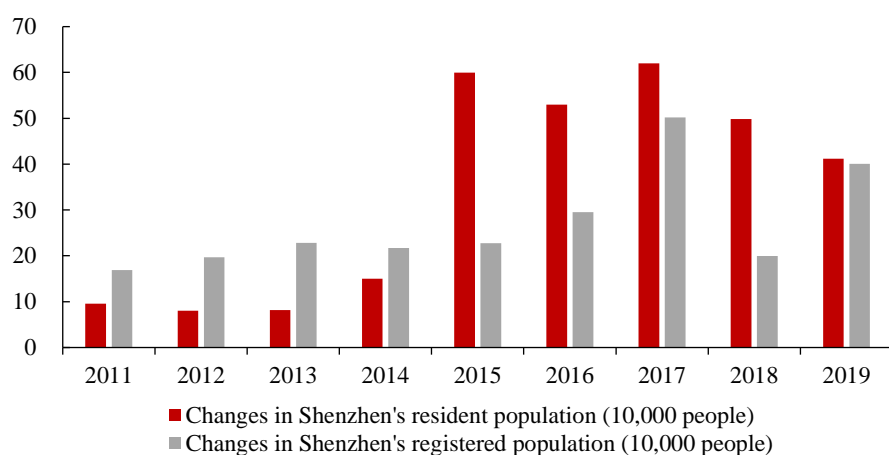
City	Competitive industries	Representative enterprise
Shenzhen	High-tech industry, financial industry, modern logistics industry and cultural creative industry	Huawei, ZTE, SF Express, China Merchants Bank, Ping An
Guangzhou	Automobile manufacturing, electronic information, petrochemical, light industry manufacturing	GAC Group, Guangzhou Pharmaceutical Group, Sinopec
Dongguan	Electronic information, equipment manufacturing, textile and clothing, food and beverage, furniture manufacturing, etc.	Oga Holdings, Marco Polo Ceramics, BBK
Shanghai	Modern service, shipping, trade, etc.	SAIC, China Baowu Steel Group, Bank of Communications, China Pacific Insurance

Source: Government website, CWSI Research

Many new industries in Shenzhen have a greater demand for talents, and the relatively weak local higher education has made it more relaxed in terms of Hukou policies. In Shenzhen's advantageous industries, traditional industries account for a relatively small proportion, and the development of emerging industries is relatively more demanding for talents. However, Shenzhen's local higher education resources are relatively scarce compared to other tier-1 cities, so it needs to attract talents through more friendly Hukou policies. Those who meet the age requirements and have a full-time college or higher education degree can apply for Hukou in Shenzhen; in addition, Shenzhen proposed in the "Measures to Promote Priority Development of Talents" that

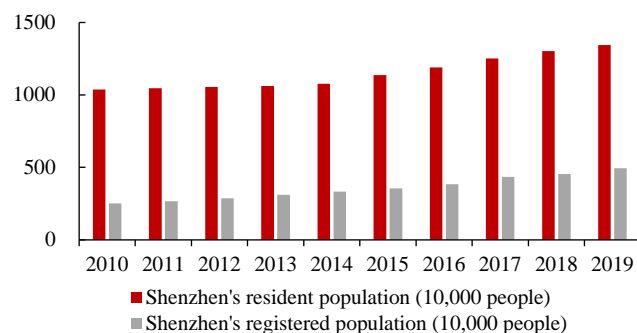
talents introduced after Mar 23, 2016 can enjoy a one-time distribution housing and living allowances (RMB 15,000 for undergraduates, RMB 25,000 for masters, and RMB 30,000 for Phd graduates). Some districts also provide district subsidies of different amounts. With powerful talents introduction policies, Shenzhen's resident population and registered population have grown rapidly since 2015. In 2019, the resident population and registered population increased by c. 410,000 and 400,000, respectively. Representative companies such as Huawei and ZTE also gained rapid growth.

Chart 5: Shenzhen's resident population and registered population have grown rapidly since 2015



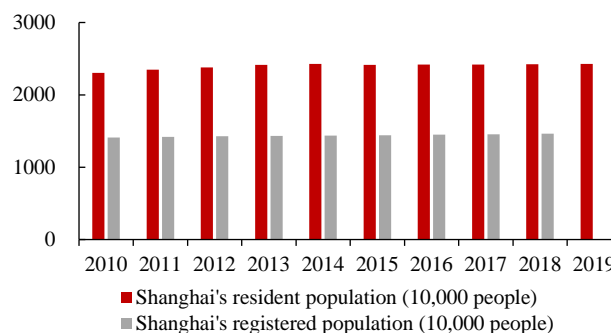
Source: Wind, CWSI Research

Chart 6: Shenzhen's resident population and registered population have grown rapidly in recent years



Source: Wind, CWSI Research

Chart 7: Shanghai's resident population and registered population have been relatively stable in recent years



Source: Wind, CWSI Research; note: missing data on registered population in 2019

There are relatively more traditional industries in Guangzhou, a more relaxed Hukou policy may help industrial transformation and development. Guangzhou has richer education and medical resources than Shenzhen, and it is a perennial tier-1 city together with Beijing and Shanghai. However, the proportion of traditional industries in its industrial structure is relatively high, and its current attractiveness to talents is relatively limited. Therefore, Guangzhou actively introduces talents through a lower threshold for Hukou. This year, for the first time, it has separated the acceptance and registration of fresh graduates from ordinary colleges and universities. At the same time, it has simplified the registration process for fresh graduates of colleges and universities to clarify the universities that come to Guangzhou for employment or entrepreneurship. Fresh graduates can apply for Hukou directly to the public security department, and apply to move their Hukou to Guangzhou if they meet the age requirements and have a bachelor degree or above.

Beijing's status as the capital gives it rich industrial resources and the strictest Hukou policy. As the capital and a rare economically developed city in northern China, Beijing has the highest density of outstanding higher education resources and various industrial resources, and is extremely attractive to talents. Non-Beijing graduates must obtain the qualification to apply for Beijing Hukou by entering an employer with Hukou indicators. In terms of points settlement, applicants must meet the requirements including paying social security continuously for more than 7 years in Beijing.

The latest changes in Shanghai are more biased towards the strength of freshmen, and the relaxation of the Hukou policy this time is limited to relatively high-end talents. Shanghai's current industrial development is more biased towards the strength of fresh graduates, and it also needs the support of Hukou policies to attract talents. Among the tier-1 cities, Shenzhen and Guangzhou have the lowest Hukou thresholds, followed by Shanghai, and Beijing has the most stringent Hukou policy. After the relaxation of this settlement policy, the above ranking has not changed. The relaxation of Shanghai's Hukou policy this time is limited to doctoral, double-first-class master's and undergraduates from six key universities, the scope of relaxation is limited to relatively high-end talents, who can play a more critical role in the transformation and upgrading of urban industries.

Many strong tier-2 cities have also vigorously introduced talents with relatively loose Hukou policies for graduates. In addition to the tier-1 cities, many strong tier-2 cities such as Nanjing, Hangzhou, Changsha, Chengdu, Wuhan, Xiamen, and Xi'an have also introduced more relaxed Hukou policies for graduates. Undergraduate graduates can obtain Hukou through academic registration in the above cities, and college graduates usually only need to meet the conditions of stable employment and social security records to apply for Hukou. On the whole, many strong tier-2 cities have relatively loose Hukou policies for graduates.

Table 5: Hukou policies for graduates in core cities are different, and the threshold for Hukou in Beijing and Shanghai is still relatively high

City	Academic requirements for graduates Hukou application	Strictness
Beijing	Allocated by designated employers	Strict
Shanghai	All Phd, double first-class masters or fresh graduates with undergraduates stage in six targeted universities	Relatively strict
Guangzhou	Full-time bachelor degree and above, some districts are relaxed to college degree and above (for example, after working continuously for one year, college degree and above can enjoy the same treatment as Guangzhou residents in the four towns of Baiyun District)	Relatively loose
Shenzhen	Full-time college graduates and above who have not gone through the graduate acceptance procedures during the job selection period	Loose
Nanjing	Full-time bachelor degree or above, college degree must paying and have paid for urban employee social insurance in Nanjing for more than 6 months (inclusive)	Loose
Hangzhou	Full-time college degree or above shall be employed in Hangzhou urban area before Dec 31 of the year of graduation (signs a contract with employer and pays local social insurance in Hangzhou), graduates with a master's degree or above may apply for Hukou first and get employed later	Loose
Changsha	University graduates with a bachelor's degree or above; graduates from universities and vocational colleges other than those specified above must have legal and stable employment and social security records	Loose
Chengdu	Full-time general university graduates with a bachelor's degree or above, fresh college graduates who are employed	Loose
Wuhan	College graduates and above	Loose
Xiamen	Graduates with a bachelor's degree or above, and graduates with a college degree whose major is in line with Xiamen's industrial development plan	Loose
Xian	Full-time general colleges graduates, secondary vocational schools (including technical schools) graduates or above	Loose

Source: Government website, CWSI Research

1.3 What kind of urbanization development trend does Shanghai's Hukou relaxation reflect?

In recent years, Hukou restrictions in large cities have continued to relax, which has promoted regional economic development. According to the "Notice on Adjusting the Criteria for City Size Classification" issued by the State Council in 2014, Beijing, Shanghai, Guangzhou and Shenzhen are all super-large cities. In recent years, the central level has continued to relax the expressions related to the Hukou policy of megacities and super-large cities. In 2019, the "Key Tasks of New Urbanization Construction" proposed that super-large cities should adjust and improve the points settlement policy, greatly increase the scale of settlement, and streamline point projects. In April 2020, the "Key Tasks for New Urbanization and Urban-Rural Integration Development" proposed that super-large cities cancel the restrictions on Hukou in new suburban areas. The continued relaxation of the Hukou policy will promote the flow of population and resource allocation. **The relaxation of the Hukou policy for super-**

large cities will promote the flow of talents to core cities, further exert the leading role of key cities in regional economic development, and provide for the continuous growth of the overall economy support.

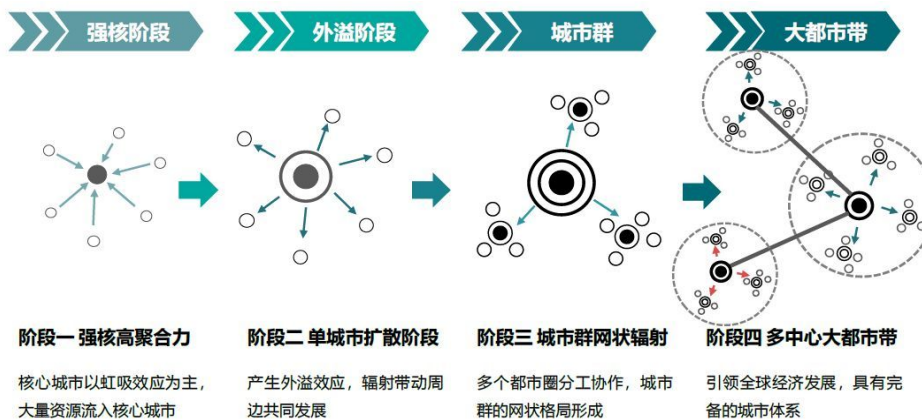
Table 6: Among the key tasks of the annual new-type urbanization construction, the urban Hukou conditions continue to be relaxed

	Key tasks of new urbanization construction		Key tasks of new-type urbanization and urban-rural integration development
	2018	2019	2020
Relevant expressions for super-large cities and megacities	Distinguish between urban districts, new districts, cities and counties under their jurisdiction, formulate differentiated Hukou conditions, and explore the establishment of inter-regional transfer points and transfer Hukou registration channels	Adjust and improve point-based Hukou policy, greatly increase the scale of settlement, streamline the points project , and ensure that the social security payment years and residence years scores account for the main proportion	Encourage conditional Type I to fully remove restrictions on Hukou, and super-large and megacities to remove restrictions on Hukou in new suburban areas

Source: Government website, CWSI Research; Note: According to the "Notice on Adjusting the Standards for City Size Division" issued by the State Council in 2014, the city's resident population is used as the statistical caliber to divide the city into five categories and seven grade, cities with more than 10 mn resident population in urban areas are super-large cities

The looser Hukou restriction in core cities may reflect the start of re-aggregation stage of urban agglomerations. The process of urban development usually undergoes aggregation, dispersion and re-aggregation stages: in the early stages of urban development, the siphon effect of core cities tends to aggregate industries and population; after a certain stage of aggregation, some industries in the core cities will spill over to surrounding satellite cities, and it will gradually upgrade its own industrial structure, urban carrying capacity, etc., at present, many key cities in China are at this stage; when the industries of core cities and satellite cities are relatively well developed, both parties can produce more cooperation, the industrial upgrading of core cities will also attract more talents. The loose Hukou policies of core cities reflects to a certain extent that some developed urban agglomerations may start to enter the re-aggregation stage.

Chart 8: Some core cities may begin to enter the re-aggregation stage



Source: China Index Academy, CWSI Research

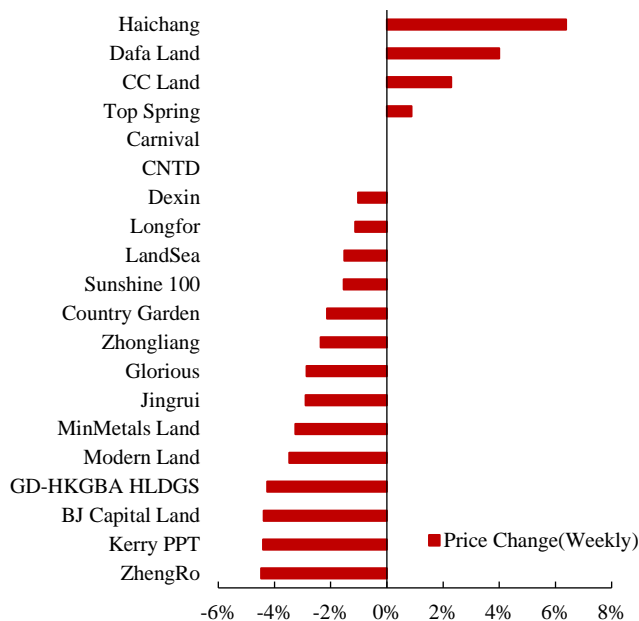
Re-aggregation may bring further development breakthroughs in core cities. In recent years, the development of urban agglomerations lies in the spillover of industries from core cities to satellite cities, which in turn drives the development of surrounding satellite cities and the integration of multiple cities. Under this trend, the development of the Yangtze River Delta urban agglomeration with the highest degree of integration is the most prominent. As a core city in the Yangtze River Delta region, Shanghai's relaxation of Hukou is also biased towards high-end talents, who are the more significant driving force for industrial transformation and upgrading. The development of domestic core cities may usher in new breakthroughs. **Looking ahead, under the development of various urban agglomerations, the core cities of other urban agglomerations may also gradually begin to enter the re-aggregation stage, and the real estate market demand in the corresponding regions will also be supported in the medium and long term.**

2. Sector Performance

2.1 Performance of developer sector

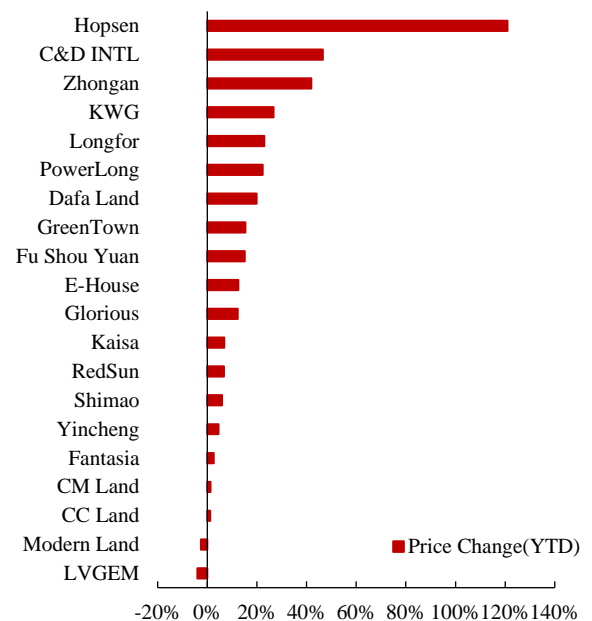
This week, Haichang, Dafa Land and CC Land had larger price increase than peers. Hopsen, C&D INTL and Zhongan had better share price performance, YTD.

Chart 9: This week, Haichang, Dafa Land and CC Land had larger price increase than peers



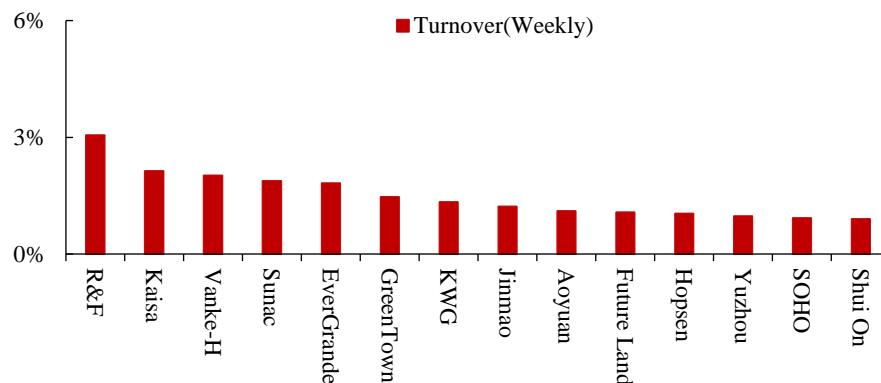
Source: Wind, CWSI Research

Chart 10: Hopsen, C&D INTL and Zhongan had better share price performance, YTD



Source: Wind, CWSI Research

Chart 11: R&F, Kaisa and Vanke-H were most actively traded this week

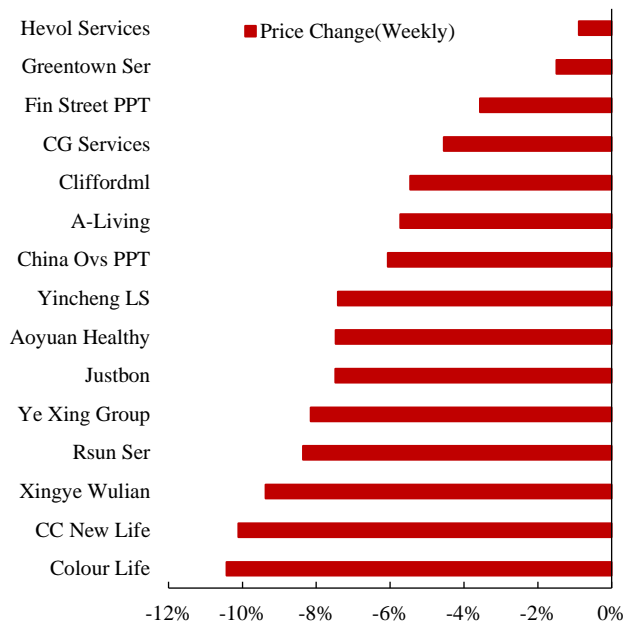


Source: Wind, CWSI Research

2.2 Performance of property service sector

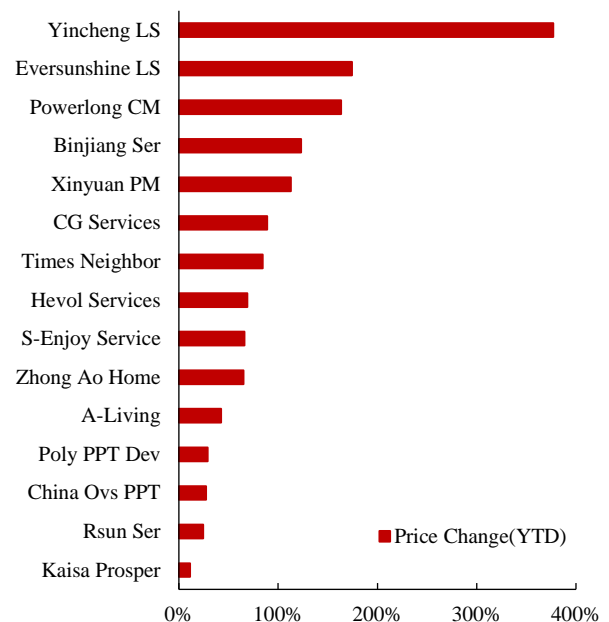
This week, Hevol Services, Greentown Ser and Fin Street PPT had smaller price decrease than peers. Yincheng LS, Eversunshine LS and Powerlong CM had better share price performance YTD.

Chart 12: This week, Hevol Services, Greentown Ser and Fin Street PPT had smaller price decrease than peers



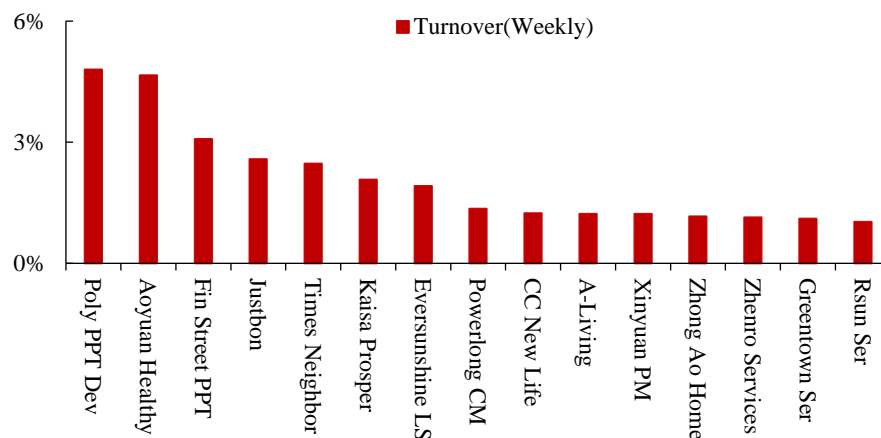
Source: Wind, CWSI Research

Chart 13: Yincheng LS, Eversunshine LS and Powerlong CM and had better share price performance YTD



Source: Wind, CWSI Research

Chart 14: Poly PPT Dev, Aoyuan Healthy and Fin Street PPT were most actively traded this week



Source: Wind, CWSI Research

3. Major cities transaction performance

3.1 New house transaction data

Table 7: Major cities new house transactions volume increased WoW this week

City & Region	Last 7 days			Last 30 days			Month to date			Year to date	
	sqm	wow	yoy	sqm 000	mom	yoy	sqm 000	mom	yoy	sqm 000	yoy
Beijing	272,413	12%	172%	1,039	20%	76%	827	15%	75%	5,075	-4%
Shanghai	434,600	3%	26%	1,725	30%	30%	1,388	24%	34%	9,369	-9%
Guangzhou	677,523	72%	217%	1,642	56%	132%	1,411	69%	153%	7,070	8%
Shenzhen	106,139	-27%	36%	488	24%	83%	434	29%	93%	2,841	10%
Tier 1	1,490,674	24%	102%	4,895	35%	70%	4,061	34%	77%	24,356	-1%
Tier 2	2,642,337	2%	-11%	11,992	-2%	7%	9,999	-3%	5%	85,971	0%
Tier 3	2,522,935	5%	-1%	11,052	-3%	8%	8,930	-6%	5%	82,304	-4%
Beijing	272,413	12%	172%	1,039	20%	76%	827	15%	75%	5,075	-4%
Qingdao	400,200	17%	-8%	1,504	2%	0%	1,235	5%	-5%	10,844	8%
Jinan	254,161	55%	5%	923	-10%	8%	747	-9%	6%	7,852	7%
Dongying	73,306	-30%	294%	352	-53%	90%	285	-57%	175%	3,304	150%
PBR	1,000,079	17%	26%	3,818	-7%	22%	3,094	-8%	20%	27,075	13%
Shanghai	434,600	3%	26%	1,725	30%	30%	1,388	24%	34%	9,369	-9%
Nanjing	163,612	40%	-46%	721	-21%	-25%	648	-17%	-25%	6,750	20%
Hangzhou	81,776	-18%	-61%	715	16%	-15%	654	17%	-15%	6,339	12%
Suzhou	202,955	-8%	-16%	920	14%	12%	765	20%	8%	8,222	11%
Wuxi	150,700	72%	-33%	610	6%	-11%	332	-42%	-34%	4,311	-21%
Yangzhou	90,484	22%	165%	299	8%	116%	299	12%	118%	1,815	7%
Jiangyin	102,074	87%	130%	351	44%	33%	265	27%	35%	2,136	-1%
Wenzhou	324,016	82%	18%	1,010	-2%	-10%	827	-1%	-13%	8,577	-7%
Jinhua	23,106	-59%	-36%	193	-11%	49%	147	-15%	35%	1,702	25%
Changzhou	41,954	50%	-31%	259	-13%	21%	185	-21%	2%	2,245	-42%
Huaian	86,333	-19%	-25%	385	-10%	-16%	326	-5%	-17%	3,216	-14%
Lianyungang	136,143	-14%	-35%	682	7%	-27%	575	13%	-31%	4,679	-4%
Shaoxing	30,197	-38%	-49%	258	5%	74%	227	0%	70%	1,890	12%
Zhenjiang	118,137	-22%	-43%	742	27%	0%	592	8%	-4%	4,480	-22%
Jiaxing	65,055	6%	99%	335	-18%	67%	253	-28%	46%	2,373	18%
Wuhu	64,454	-9%	72%	303	19%	48%	263	32%	50%	1,583	6%
Yancheng	101,770	19%	4%	431	0%	27%	291	-33%	-4%	2,666	0%
Zhoushan	22,864	16%	-25%	107	7%	3%	73	-5%	-7%	959	9%
Chizhou	12,474	-10%	89%	52	-43%	-50%	42	-37%	-53%	623	-35%
Ningbo	180,236	-15%	40%	819	-14%	36%	711	-16%	52%	5,901	3%
YRD	2,432,939	7%	-10%	10,917	4%	6%	8,860	-2%	2%	79,834	-3%
Guangzhou	677,523	72%	217%	1,642	56%	132%	1,411	69%	153%	7,070	8%
Shenzhen	106,139	-27%	36%	488	24%	83%	434	29%	93%	2,841	10%
Fuzhou	154,442	27%	110%	527	101%	73%	454	111%	70%	1,885	-6%
Dongguan	193,196	44%	14%	712	-18%	36%	545	-20%	29%	4,705	24%
Quanzhou	40,619	-45%	-19%	298	8%	10%	257	22%	15%	1,917	-26%
Putian	25,713	15%	-40%	108	-38%	-43%	79	-49%	-48%	1,149	-26%
Huizhou	49,276	-29%	-20%	261	-18%	3%	215	-17%	0%	1,957	-1%
Shaoguan	34,740	3%	12%	155	3%	3%	122	5%	7%	1,248	7%
Foshan	309,983	7%	19%	1,224	9%	21%	1,018	19%	34%	8,601	-15%
Jiangmen	30,056	-3%	5%	128	4%	28%	102	6%	55%	949	17%
PRD & Southern China	1,621,686	23%	61%	5,544	17%	47%	4,638	23%	55%	32,321	-2%
Taian	70,550	-15%	12%	381	42%	44%	309	35%	34%	1,804	-5%

Northern China	70,550	-15%	12%	381	42%	44%	309	35%	34%	1,804	-5%
Wuhan	458,879	-7%	-9%	2,074	0%	-5%	1,705	4%	-4%	11,239	-30%
Yueyang	31,468	-27%	-56%	168	-27%	-26%	130	-27%	-32%	1,655	16%
Baoji	54,107	-33%	24%	308	-22%	50%	250	-21%	66%	2,456	12%
Ganzhou	164,095	1%	-32%	692	-19%	-17%	595	-20%	-20%	5,910	-9%
Central China	708,548	-9%	-18%	3,241	-9%	-6%	2,680	-7%	-6%	21,260	-19%
Chengdu	438,220	-13%	6%	2,112	-10%	45%	1,881	-11%	46%	16,221	15%
Liuzhou	165,801	19%	17%	648	28%	9%	460	15%	-5%	4,561	2%
Nanning	218,123	-16%	-16%	1,278	-4%	0%	1,069	-3%	-6%	9,553	-7%
Western China	822,144	-9%	1%	4,038	-4%	21%	3,410	-5%	17%	30,335	5%
Total	6,655,946	7%	7%	27,939	2%	15%	22,990	1%	13%	192,630	-2%
Num. of cities Up		21	23		23	29		20	25		22
Num. of cities Down		21	19		19	13		22	17		20

Source: Local governments, CWSI Research; Note: Till 2020/9/25

Table 8: Major cities inventory period was 9.2 months this week

City	Inventory (sqm 000)	wow	yoy	Inventory period	Last week	wow	yoy
Beijing	11,807	-1%	26%	11.4	11.7	-3%	-29%
Shanghai	7,496	4%	-2%	4.3	4.3	1%	-25%
Guangzhou	8,718	3%	10%	5.3	6.9	-23%	-53%
Shenzhen	2,585	7%	17%	5.3	5.2	2%	-36%
Tier 1 Average		3%	13%	6.6	7.0	-6%	-36%
Hangzhou	4,380	2%	71%	6.1	6.2	-1%	101%
Nanjing	7,119	19%	46%	9.9	7.9	25%	93%
Suzhou	7,318	1%	44%	8.0	8.1	-2%	29%
Fuzhou	6,296	-2%	82%	11.9	14.2	-16%	5%
Jiangyin	4,558	-1%	18%	13.0	13.4	-3%	-11%
Wenzhou	11,652	3%	29%	11.5	11.5	0%	42%
Quanzhou	7,164	1%	7%	24.0	23.2	3%	-3%
Ningbo	2,810	1%	8%	3.4	3.1	11%	-20%
Dongying	1,739	2%	15%	4.9	4.4	14%	-39%
Overall Average		3%	29%	9.2	9.2	1%	4%

Source: Local governments, CWSI Research; Note: Till 2020/9/25; Average WoW and average YoY are defined as average change of each city

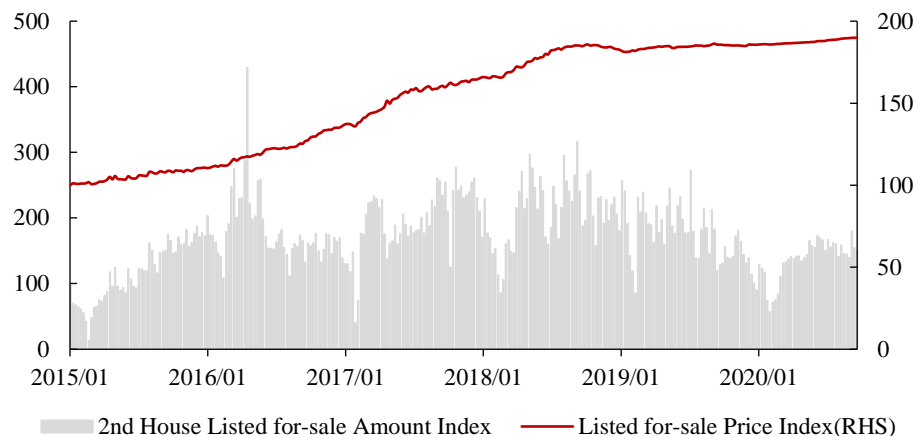
3.2 Second-hand house transaction and price data

Table 9: Major cities Second-hand house transaction volume, Jinhua 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	349,990	0%	20%	1,546	5%	42%	1,267	8%	40%	10,117	9%
Shenzhen	175,139	-2%	15%	799	-25%	37%	683	-20%	36%	6,453	55%
Hangzhou	124,753	3%	38%	572	15%	61%	451	16%	57%	4,121	12%
Nanjing	246,216	9%	10%	1,016	-9%	17%	859	-4%	19%	7,304	39%
Chengdu	70,253	-18%	-69%	377	-11%	-56%	321	-11%	-57%	3,703	-54%
Qingdao	127,843	-3%	21%	552	-4%	29%	469	-1%	26%	3,948	18%
Wuxi	118,286	-4%	-48%	669	5%	3%	436	-20%	-24%	4,745	4%
Suzhou	139,056	11%	-25%	555	-7%	-24%	476	-2%	-27%	4,292	-46%
Xiamen	64,337	-18%	5%	302	-20%	25%	257	-18%	25%	2,475	-14%
Yangzhou	27,357	14%	2%	110	-2%	4%	95	2%	3%	792	-3%
Yueyang	17,420	11%	-18%	72	-12%	2%	63	-5%	2%	501	-10%
Nanning	68,009	-3%	-17%	302	-1%	-5%	255	1%	-5%	2,000	-12%
Foshan	179,835	1%	59%	744	-2%	57%	636	2%	56%	4,430	-1%
Jinhua	55,144	8%	57%	223	0%	70%	179	2%	52%	1,909	73%
Jiangmen	15,648	-23%	162%	80	-13%	300%	67	-12%	266%	600	-10%
Total	1,779,285	0.1%	-4%	7,921	-5%	14%	6,513	-4%	10%	57,390	-3%
Num. of cities Up		8	10		4	12		6	11		7
Num. of cities Down		7	5		11	3		9	4		8

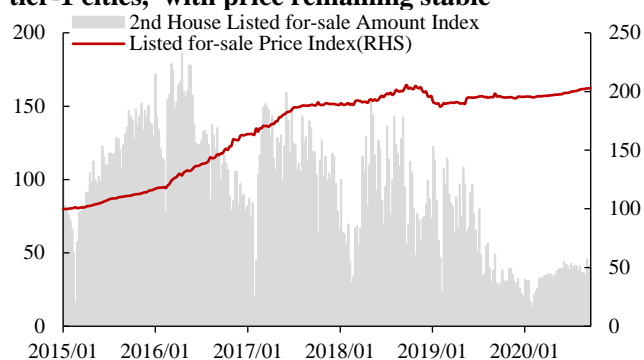
Source: Local governments, CWSI Research; Note: Till 2020/9/25

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



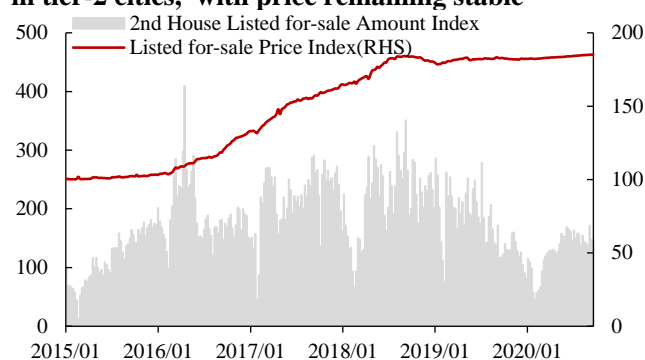
Source: Local Government, CWSI Research; Note: Till 2020/9/20

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



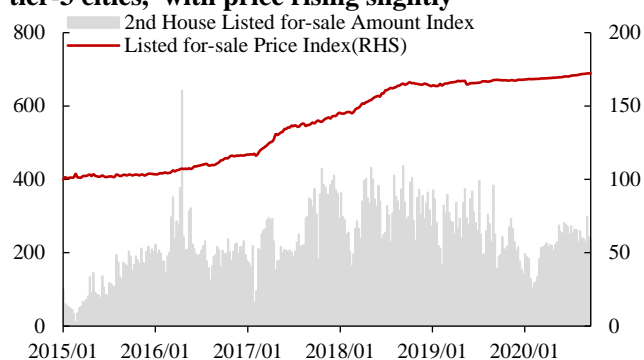
Source: Local Government, CWSI Research; Note: Till 2020/9/20

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



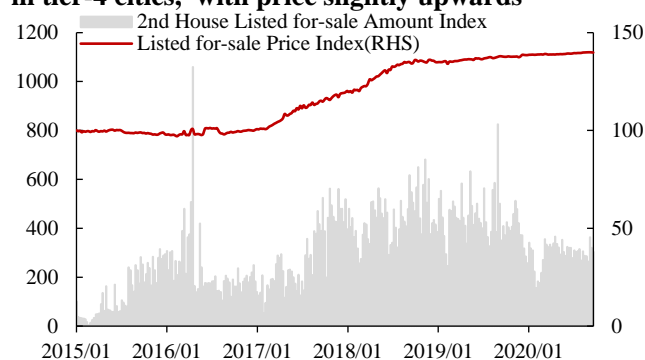
Source: Local Government, CWSI Research; Note: Till 2020/9/20

Chart 18: 2nd house listed for-sale amount index rose in tier-3 cities, with price rising slightly



Source: Local Government, CWSI Research; Note: Till 2020/9/20

Chart 19: 2nd house listed for-sale amount index rose in tier-4 cities, with price slightly upwards



Source: Local Government, CWSI Research; Note: Till 2020/9/20

4. Important Policies and News

4.1 Important Industry Policies News This Week

Table 10: Important Industry Policies News This Week: Shanghai relaxed Hukou policy; Dongguan decreased home purchase loan amount

Date	Region / Institution	Summary
2020-09-21	The State Council	The notice on the overall plan for the Beijing, Hunan and Anhui pilot free trade zones and the expansion plan of the Zhejiang pilot free trade zone was issued.
2020-09-21	Zhongshan	In the next three years, 5,000 talent apartments will be built. Leading talents, top talents, and elite talents will be rent-free to live in talent apartments of 150, 100, and 70 sqm respectively. The rent-free period is up to 10 years.
2020-09-23	Shanghai	Proposed that fresh graduates of Shanghai Jiao Tong University, Fudan University, Tongji University, East China Normal University, and college graduates world-class university construction who meet the basic application requirements can obtain Hukou.
2020-09-23	Changchun	The minimum down payment ratio for the purchase of the first set of commercial housing loans shall not be less than 30%, the minimum down payment ratio for the purchase of the second set of commercial housing shall not be less than 40%, and the third and above commercial housing loans will not be granted.
2020-09-24	Dongguan	The maximum loan amount for the first house was adjusted from RMB 1.2 mn to RMB 900,000, and the maximum loan amount for the second house was adjusted from RMB 800,000 to RMB 500,000; the requirements for the purchase of second-hand houses in other cities to apply for withdrawing the provident fund were increased that, to purchase second-hand houses in other cities, residents should obtain a real estate certificate for 6 months before applying for withdrawal. In addition, the provident fund will stop accepting the withdrawal for property management fees.
2020-09-24	Tianjin	Adjusted the points required for Hukou declaration from 140 points to 110 points, and further clarified the terms and conditions of residence permit application, management, points, etc.

Source: Wind, Government website, CWSI Research

4.2 Company news and announcements

Table 11: Company news and announcements: PowerLong issued an additional USD 150 mn 6.25% senior notes due 2024; Kaisa issued USD 200 mn senior perpetual capital securities

Date	Company	Summary
2020-09-21	Aoyuan Healthy	An indirect wholly-owned subsidiary acquired a 55% stake in the medical beauty company Lian Tianmei for c. RMB 690 mn.
2020-09-21	CIFI	Redempted RMB 1 bn 7.75% senior notes of due 2020.
2020-09-21	Jinmao	A indirect wholly-owned subsidiary intended to acquire 60% of the equity of each project company of the Qingdao subsidiary of Haier Industrial City Creative Holdings for no more than RMB 18 mn, and provide the project company with a total of c. RMB 3.67 bn in additional loans for land development in Qingdao.
2020-09-22	YueXiu	Signed a 12-month revolving loan facility agreement with a bank not exceeding HKD 500 mn.
2020-09-23	Times	Purchased USD 210 mn 6.25% senior notes due 2021 through cash offer.
2020-09-23	FINANCIAL STREET	Issued RMB 1.5 bn 3-year 3.87% and RMB 1.46 bn 3+2-year 3.90% 2020 first-phase medium-term notes.
2020-09-24	PowerLong	Issued an additional USD 150 mn 6.25% senior notes due 2024 and combined with USD 200 mn 6.25% senior notes due 2024 into a single series.
2020-09-24	Kaisa	Issued USD 200 mn senior perpetual capital securities.
2020-09-24	Times	Acquired a property with a GFA of 10.791 mn sqm in Yuexiu District, Guangzhou for c. RMB 30.216 mn.
2020-09-25	CC New Life	A wholly-owned subsidiary acquired a 51.0% stake in Jiyuan Zhongbang Environmental Cleaning Co., Ltd. for c. RMB 16.98 mn.

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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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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