

## This Week in China

### Property tax: pilot and international experience

#### *Topic of the week:*

**The pilot property tax bases in Shanghai and Chongqing are relatively narrow, comprehensive factors affect the mid- to long-term performance of the real estate market.** 1) Tax base: relatively narrow, Shanghai only includes some newly purchased houses, and Chongqing only includes existing single-family commercial houses except for some newly purchased high-end houses. Both places have established tax-free GFA to ensure residents' reasonable housing needs. 2) Tax rates: different tax rates are used according to ASP, 0.4%-0.6% in Shanghai and 0.5%-1.2% in Chongqing. In terms of the real estate market, the two places suffered a certain impact in the year of the pilot program. The increase in ASP fell from a higher-than-nationwide growth in 2009-10 to a lower-than-nationwide growth rate in 2011. In the med- to long- term, the ASP growth in the two places has not been consistently lower than that of the country. Shanghai's ASP growth has been faster than the whole country in most years after 2013, and the ASP growth in the 9 districts of Chongqing's main city has been faster than the national growth in 2017-18 .

**The international real estate tax system usually has a wider tax base. Real estate tax is an important source of income for local governments in some regions, and has limited mid- to long-term impact on the real estate market.** 1) Broader tax base: Hong Kong, South Korea, Japan, and the United States generally do not distinguish between newly purchased and existing houses and are levied based on the land and house ownership and lease conditions. The tax base is built on credible value assessments, such as the Hong Kong Rating and Valuation Department's assessment of corresponding properties, and South Korea's government-published value. 2) Tax rate: There are certain differences in tax rates in different regions. For example, the comprehensive real estate tax in South Korea imposes a tax rate of 0.6%-6.0% on housing, and the standard rate of fixed asset tax in Japan is 1.4%. 3) Impact on the real estate market: Real estate taxes in Japan and the United States are more used as a source of funds for local governments rather than the main means of regulating the real estate market. In recent decades, South Korea and Hong Kong have tried to stabilize housing price fluctuations through real estate taxes. Although they have some effects in the short term, in the long run, comprehensive factors such as macroeconomics and supply and demand trends are still important driving forces affecting the trend of the real estate market.

#### *Data points:*

As of May 21<sup>st</sup>, new house transaction area in 42 major cities this week decreased 25% WoW, and cumulative transaction area in 2021 increased 68% YoY.

As of May 21<sup>st</sup>, saleable area (inventory) in 13 major cities this week decreased 0.2% WoW; average inventory period was 12.1 months, average WoW change was 2%.

As of May 21<sup>st</sup>, second-hand housing transactions in 15 major cities this week decreased 3% WoW, and cumulative transaction area in 2020 increased 46% YoY.

#### *Suggestion:*

This week, 9 infrastructure REITs were approved by CSRC for registration, some of which has underlying assets including the industrial parks of some developers, which is expected to open up new financing channels for the industry. During the week, Huzhou introduced a sales restriction policy, and banks in Ningbo, Shenzhen, etc. raised interest rates on mortgages, which will curb local demand for home purchases to a certain extent. Developers with financial resources and smooth financing channels may show more significant advantages. Maintain "Overweight" rating.

**Overweight**  
(Maintain)

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# 1. Property tax: pilot and international experience

The Ministry of Finance website recently issued an announcement stating, “The Ministry of Finance, the Budget Working Committee of the Standing Committee of the National People’s Congress, the Ministry of Housing and Urban-Rural Development, and the State Administration of Taxation hosted a symposium on the pilot property tax reform in Beijing and listened to the opinions on the pilot work of real estate tax reform from responsible persons and some experts of some cities.” How are property taxes levied in Shanghai and Chongqing, which have been pilot cities for many years? How are the property tax levied in various countries and regions in the world? What is the impact on the real estate market?

## 1.1 Domestic pilot projects: relatively narrow tax base, comprehensive factors affect mid- to long-term real estate market

**The current pilot property tax bases in Shanghai and Chongqing are relatively narrow, reflecting the intentions of ensuring the reasonable housing needs of local residents, adjusting income distribution and curbing speculative housing purchases.** Since January 28, 2011, Shanghai and Chongqing have launched property tax pilots for many years. The tax base of property tax in the two cities is relatively narrow. Shanghai is limited to some newly-purchased houses, and Chongqing only includes single-family commercial houses except for some newly-purchased houses. The tax policies of the two places reflect: 1) Guarantee of the reasonable housing needs of local residents: For example, among the taxable housing in Shanghai, local households only levy the second and above houses, and new houses purchased by non-local households are also included in the taxable subjects; the tax-free GFA in Shanghai reaches 60 sqm per capita, which is much larger than the current per capita housing GFA of the country. The subject of Chongqing property tax is limited to single-family commercial housing owned by individuals in the 9 districts of the main city and high-end residences that are twice or more than the average price of houses in the 9 districts, as well as the first and above ordinary houses newly purchased by individuals who have no household registration, no business, or no job in Chongqing at the same time. 2) Intentions such as adjusting income distribution and curbing speculative house purchases: Both places use different tax rates for properties of different values, and Chongqing’s taxable housing for local residents include only relatively high-end houses. Both cities use the market transaction price of housing as the basis for tax

calculation, and the tax rate has not changed in the ten years of the pilot; relatively speaking, Chongqing's tax rate for higher-end housing is higher than that of Shanghai.

**The scale of property tax revenue in Shanghai and Chongqing has increased, but the proportion of local tax revenue is still small.** Due to the narrow tax base and low tax rate, although the total property tax revenue of the two places has continued to rise in 2011, the total amount is still limited. Among the local public fiscal revenues in Shanghai and Chongqing in 2020, property tax revenues are RMB 19.87 bn and RMB 7.17 bn, which are far less than land transfer revenue: According to Wind data, in 2020, the total amount of land transactions in Shanghai and Chongqing reached RMB 314.27 and RMB 149.69 bn. The property tax revenue of the two places accounted for 3.4% and 5.0% of the total local tax revenue, respectively, which increased by 1.1 percentage points and 2.6 percentage points from 2011, still accounted for a small proportion of local tax revenue.

**Table 1: Overview of property tax in Shanghai and Chongqing**

	Shanghai	Chongqing
Pilot area	Shanghai Administrative Region	9 districts of the main city
Taxable housing	1) The <b>second or above house newly purchased</b> by a <b>Shanghai resident family</b> in Shanghai. 2) <b>New houses purchased</b> by <b>non-Shanghai residents</b> in Shanghai.	1) <b>Single-family commercial housing owned</b> by individuals. 2) <b>High-end housing newly purchased</b> by individuals (referring to housing whose ASP per GFA has reached twice (including twice) the ASP per GFA of newly-built commercial housing in the 9 districts of the main city in the previous two years). 3) The <b>first and above ordinary houses newly purchased</b> by individuals who have <b>no household registration, no enterprise, or work in Chongqing</b> (revised in 2017, previously it was the second (including the second) ordinary housing newly purchased by individuals who have no household registration, no enterprise, or no job in Chongqing at the same time). If the taxpayer has household registration, enterprise, or job conditions in Chongqing, he will be exempt from taxation from the current year. If the tax has been paid, the tax paid in the current year will be refunded.
Frequency of tax payment	Annually	Annually, and the tax payable is calculated on a monthly basis for less than one year
Taxable value	<b>Market transaction price of taxable housing × 70%</b>	<b>Transaction price of taxable housing</b>



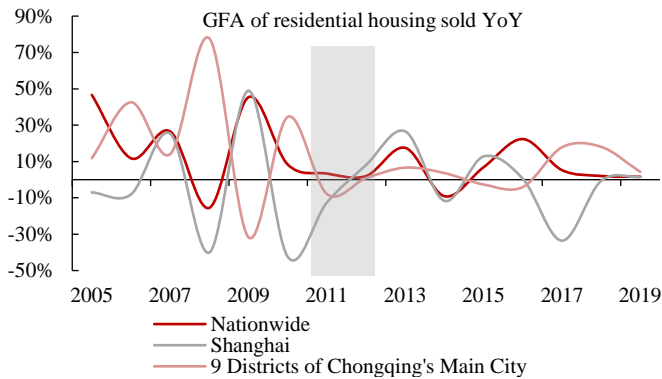
Reduction GFA	<p>Shanghai resident families: 60 sqm per capita</p> <p>Non-Shanghai resident households: for buyers who have held a Shanghai residence permit for three years and have worked and lived in Shanghai, the newly purchased a house in this city is the only house in the family, are temporarily exempt from property tax</p>	<p>The deduction of tax-free area is based on the family, and a family can only deduct the tax-free area for a set of taxable housing.</p> <p>1) For single-family commercial houses owned before the expropriation, the tax-free area is 180 square meters.</p> <p>2) For newly purchased single-family commercial housing and high-end housing, the tax-free area is 100 square meters.</p> <p>3) Tax-exempt area is not deducted for taxable housing of individuals who have no household registration, no business, or no job in Chongqing.</p>
Calculation	Taxable GFA of newly purchased housing × ASP × 70% × tax rate	Taxable GFA × ASP × tax rate
Tax rate	<p><b>0.6%</b>; if the ASP of taxable housing is lower than the ASP of newly built commercial housing in Shanghai by twice (including twice) the previous year, the tax rate will be temporarily reduced to <b>0.4%</b></p>	<p>1) For single-family commercial housing and high-end housing with ASP less than 3 times the average price of newly-built commercial housing in the 9 districts of the main city in the last two years, the tax rate is <b>0.5%</b>; 3 to 4 times (including 3 times), the tax rate is <b>1%</b>; for 4 times (including 4 times) or more, the tax rate is <b>1.2%</b>.</p> <p>2) Individuals who have no household registration, no business, or no job in Chongqing at the same time purchase the first set of ordinary houses and above, the tax rate is <b>0.5%</b>.</p>

Source: Local governments, CWSI Research

**The real estate markets in the two places have been hit by property taxes in the short term.** In 2011, Shanghai and the 9 districts of the main cities of Chongqing began to levy property tax, and in 2011, the growth rate of the transaction GFA and ASP of commercial housing in the two places was lower than that of the whole country. The change in the GFA of commercial housing transactions may also be affected by insufficient supply. The GFA of residential land sold in Shanghai from 2008 to 2009 was only 0.3 times the GFA of commercial housing transactions during the year, and the GFA of residential land sold in the 9 districts of Chongqing's main city in 2008 was only 0.45 times the transaction GFA of commercial residential buildings that year, and were only slightly higher than the transaction GFA of the year 2010 and 2011. Under the situation of slightly tight supply in the two places, the increase in house prices in the two places dropped significantly in 2011, from higher than the national level in 2009 and 2010 to lower than the national level in 2011, Shanghai's housing prices even

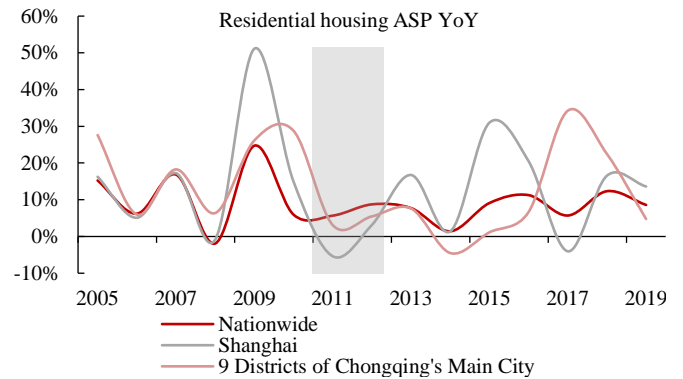
decreased in 2011. To a certain extent, this reflects the suppression of the short-term housing demand of residents by the property tax pilot.

**Chart 1: In 2011, the growth rate of commercial housing transaction GFA in the two places was lower than that of the whole country**



Source: NBS, local government, CWSI Research

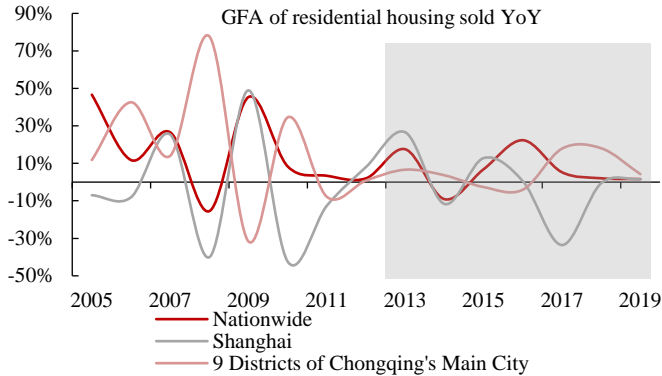
**Chart 2: In 2011, the growth rate of the ASP of commercial housing in the two places fell below that of the whole country**



Source: NBS, local government, CWSI Research

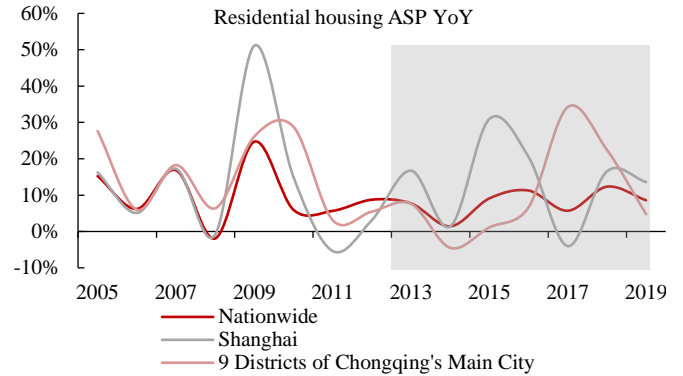
**In the mid to long term, the commercial housing market performance of Shanghai and Chongqing in the past decade has not been consistently weaker than that of the country.** In 2012 and 2013, the growth rate of the transaction GFA of commercial residential buildings in Shanghai rebounded to 8.1% and 26.6%, respectively, higher than the national 2.0% and 17.5%. From 2012 to 2018, the GFA of residential land sold in Shanghai was less than the sales GFA of the year. In the context of continued tight supply, the supply of residential land in 2016-2018 further dropped sharply and other factors led to a sharp decline in the GFA of commercial residential transactions in Shanghai. The growth rate of the ASP of commercial residential buildings in Shanghai has been higher than the national level in most years after 2013. Unlike Shanghai, the supply of residential land in the 9 districts of the main city of Chongqing has been relatively abundant in the past ten years. The GFA of residential land sold in 2009-2017 was larger than the sales GFA of the year. The growth rate of commercial residential area in the 9 districts of the main city was mostly lower than that of the whole country from 2011 to 2016, and the housing price performance was relatively weak. Since 2016, a number of policies for the development of the Chengdu-Chongqing urban agglomeration have been released, and infrastructure such as high-speed railways in the Chengdu-Chongqing area has also been accelerated since 2015. From 2017 to 2019, the GFA of commercial housing transactions in the 9 districts of Chongqing's main city grew faster than the country, and the growth rate of housing prices was also faster than the country in 2017-2018.

**Chart 3: The growth rate of Chongqing’s commercial housing transaction GFA has been significantly faster than that of the whole country in recent years**



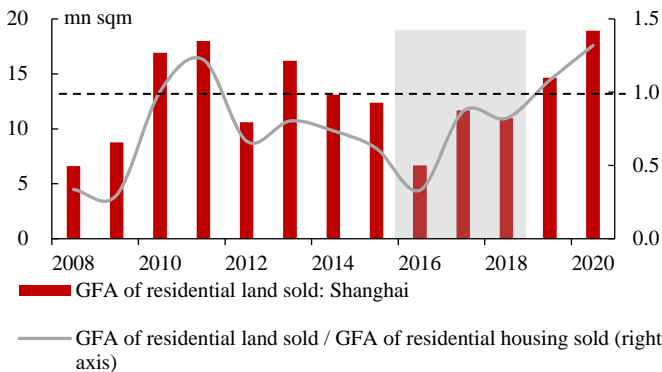
Source: NBS, local government, CWSI Research

**Chart 4: The growth rate of the ASP of commercial housing in the two cities has not continued to be lower than that of the country**



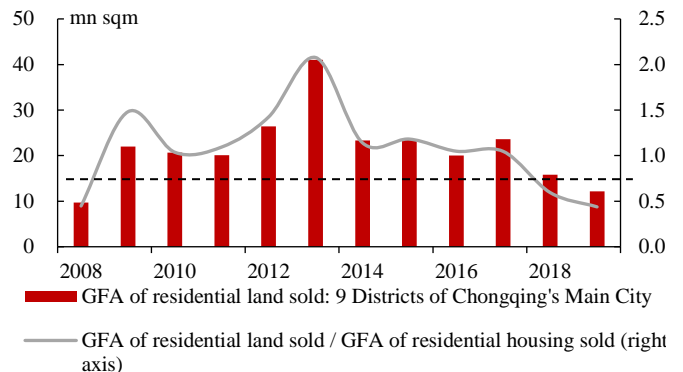
Source: NBS, local government, CWSI Research

**Chart 5: From 2016 to 2018, Shanghai has relatively few residential land transactions**



Source: NBS, local government, CWSI Research

**Chart 6: The supply of residential land in Chongqing has declined after 2018**



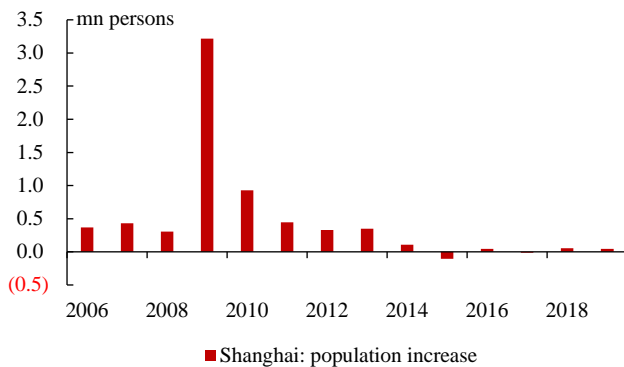
Source: NBS, local government, CWSI Research

**The population growth provides strong support for the mid- to long-term housing demand in Shanghai and Chongqing.** According to the National Population Census data, the population of Shanghai and Chongqing has grown in the past ten years, both with higher CAGR than the national level (2010-2020 CAGR 0.53%): Shanghai is affected by the population control during the 13th Five-Year Plan period, and the resident population has increased from 23.02 mn in the 6th National Population Census to 24.87 mn in the 7th National Population Census, with a CAGR of 0.78% from 2010 to 2020; the population of Chongqing has increased from 28.85 mn to 32.05mn in ten years, with a 2010-2020 CAGR of 1.06%. The population of the 9 districts of the main city has grown faster, from 7.46 mn in 2010 to 10.34 mn in 2020, with a 2010-2020 CAGR of 3.33%, the population proportion of the 9 districts in the main city to



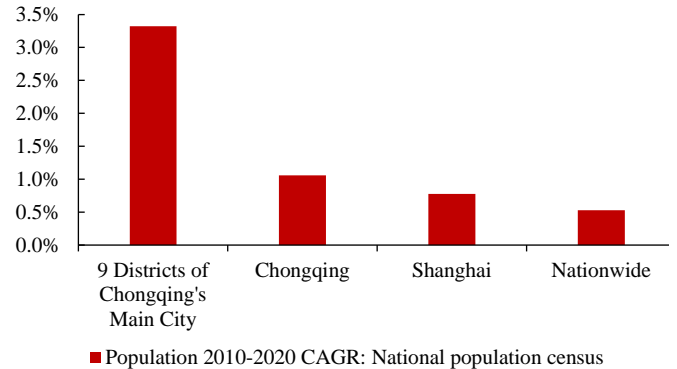
Chongqing increased from 25.9% to 32.3%. The population growth provides strong support for the mid- to long-term housing demand in the corresponding areas.

**Chart 7: During the “13th Five-Year Plan” period, Shanghai's population growth has slowed down significantly**



Source: NBS, CWSI Research

**Chart 8: The population growth of the 9 districts of the main city of Chongqing and Shanghai has been faster than that of the whole country**



Source: NBS, local government, CWSI Research

## 1.2 International experience: Broader tax base, some of which not used as real estate control measures

**Hong Kong: Three types of taxes: rates, government rent and property tax.** The three types of property taxes in Hong Kong are all levied on the rent of properties. The Hong Kong government has also adjusted the real estate market by adjusting the tax rates of the above-mentioned taxes.

**Rates** is an indirect tax in Hong Kong. It was levied in 1845. At that time, it was used to pay the Hong Kong police's food and rates. It is currently included as part of the general government revenue. Rates collection objects include land, buildings and structures held or occupied, etc., based on the rateable value of the property (assuming the reasonable annual rent that can be obtained when the property is rented out on the specified valuation date) × rate collection rate (After 2000, the general rates collection rate in Hong Kong is set at 5%), and the payer is determined by the terms of the lease agreement between the landlord and the property user. Agricultural land, village-style houses in the New Territories, properties used by the public for religious worship, etc. are exempted from assessment of rates. In 2020-21, it is estimated that rates income will account for 4.4% of the total government revenue.

**Government rent** is a tax that the land lessee needs to pay. Since Hong Kong land (except for the freehold St. John's Cathedral on Garden Road) is sold under lease, the land buyer must pay the land price when purchasing the land, and then pay the annual rent to the government. The land leases that are required to pay include the land leases in the New Territories and New Kowloon (north of Boundary Street), and the land

leases granted or reapproved or renewed on or after May 27, 1985. The amount of the land lease to be paid by the lessee each year is equivalent to 3% of the rateable value. In 2020-21, it is estimated that the rent income will account for 3.0% of the total government revenue.

**Property tax** is a tax levied on property owners if the owner derives rent from letting the property. The tax base of the property tax is the net assessable value of rental income after deducting the irrecoverable rent and the rates paid by the landlord, etc. The tax rate has stabilized at 15% after the assessment year 2008/09.

**Table 2: Overview of property related taxes in Hong Kong**

	Rates	Government rent	Property tax
Taxable housing	Occupation of property	Land leases in the New Territories and New Kowloon (north of Boundary Street); land leases which have been granted, or surrendered and regranted, or extended since 27 May 1985	Properties that derived rent from letting
Taxable value	Rateable value of property	Rateable value of property	Net assessable value
Calculation	Rateable value of property × Tax rate	Rateable value of property × Tax rate	Net assessable value × Tax rate
Tax rate	5%	3%	15%

Source: Government websites, CWSI Research

**Hong Kong has repeatedly used property taxes to regulate the real estate market, with relatively limited impact.** The above-mentioned taxes are one of the tools used by the Hong Kong government to regulate the real estate market, and they were adopted no matter when the market is down or up. From 1998 to 2010, Hong Kong repeatedly reduced rates when the market went down, but the downward trend in the market did not stop. Hong Kong has also adjusted property taxes many times to hedge against changes in house prices, but the effect has been relatively limited. For example, the property tax rate in the 2003/04 assessment year was raised by 0.5 percentage point to 15.5%, the 2004/05 to 2007/08 assessment year was raised to 16%, and the house price continued to rise during the 2004-2007 assessment year; after the 2008/09 assessment year, it was reduced to 15%, but failed to prevent the sharp fall in housing prices after the financial crisis. Hong Kong's property taxes have a relatively limited impact on house prices. On the one hand, the actual tax burden of property tax in Hong Kong is relatively small (assessed based on rent and the tax rate is not high). On the other hand, it is also due to the factors that affect housing prices also include many other factors such as the macroeconomic environment and the relationship between supply and demand.

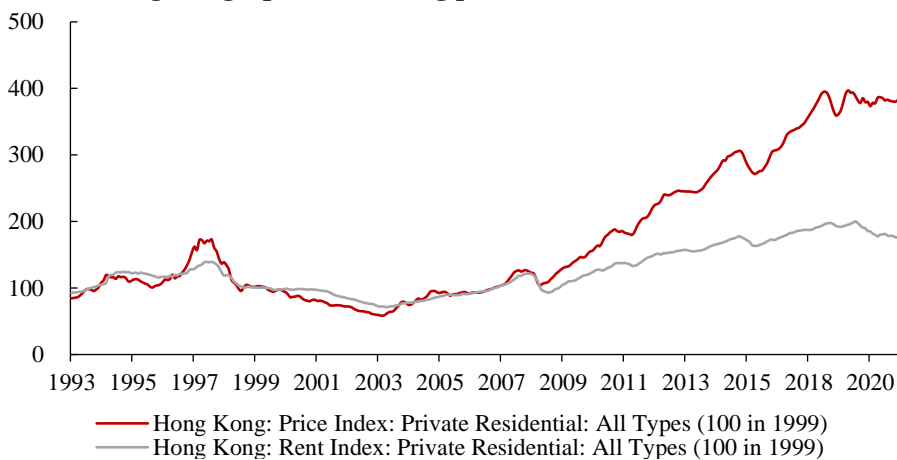


**Table 3: Hong Kong has repeatedly adjusted property tax rates**

Year of Assessment	Tax rate
2008/09 onwards	15.00%
2004/05 to 2007/08	16.00%
2003/04	15.50%
2002/03	15.00%

Source: Government website, CWSI Research

**Chart 9: Hong Kong’s private housing prices and rents continued to rise**



Source: Government website, CWSI Research

**South Korea: Separately levy property taxes on land and houses, and levy a comprehensive real estate tax for high-income people who own multiple houses.**

The Korean property tax is one of the ways to adjust house prices. In recent decades, South Korea has carried out two major tax system reforms related to real estate taxes: the property tax (local tax) was levied separately on land and housing since 1990, and the comprehensive real estate tax (central tax) was levied since 2005 to combat the phenomenon of high income groups holding multiple sets of properties, etc. The tax bases of the two types of taxes are both adjusted based on the real estate prices assessed and published by the government (often lower than the market prices). The methods and intentions of the two types of taxes are different, but both are important means for regulating the real estate market.

**In 1990, South Korea changed the single tax rate for land and housing to separate levy, which played a certain role in restraining the rapid rise in housing prices.**

Before 1990, South Korea imposed a single tax rate on land and houses, and the tax was relatively light. Housing prices rose rapidly before 1990 and residents had more land hoarding behaviors. According to data from the Federal Reserve Bank of Dallas, South Korea’s housing price index rose sharply from 1975 to 1990, from 8.71 in the

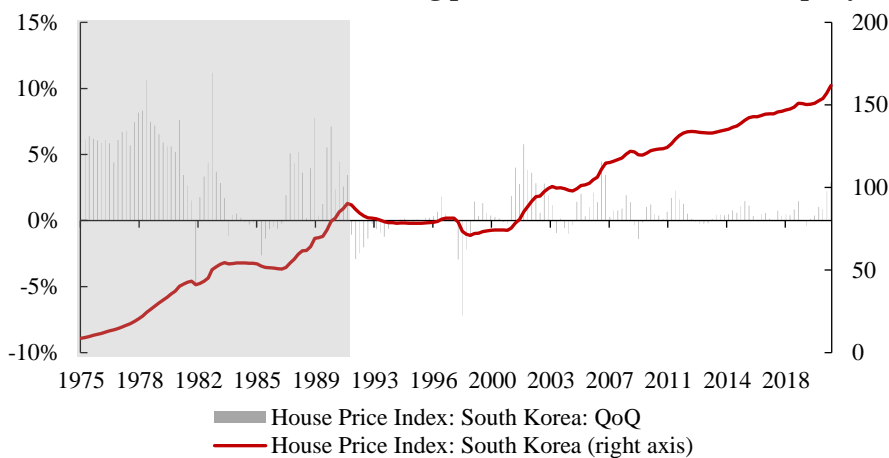
1Q1975 to 85.12 in 4Q1990. In this context, the South Korean government carried out tax reforms in 1990, levying property taxes on land and houses separately and adopting a progressive system, the current tax rate is 0.1%-0.4%. After 1991, the housing price index in South Korea declined, and the reform of property tax was one of the reasons.

**Table 4: Korea local property tax rates in 2021 (Houses)**

Taxable value (KRW)	Tax rate	Progressive deduction (KRW)
<60mn	0.10%	-
60-150mn	0.15%	30,000
150-300mn	0.25%	180,000
>300mn	0.40%	630,000

Source: Government website, CWSI Research

**Chart 10: From 1975 to 1990, housing prices in South Korea rose rapidly**



Source: Federal Reserve Bank of Dallas, CWSI Research

**In 2005, South Korea introduced a comprehensive real estate tax, mainly to combat the phenomenon that some high-income people own multiple houses.** Currently, comprehensive real estate tax is levied on houses with a public price of KRW 600 mn or more (one person, one household is KRW 900 mn or more), and the tax rate ranges from 0.6% to 3.0%; for those who own more than 3 houses, a higher tax rate will be adopted, ranging from 1.2% to 6.0%, and the tax rate will increase with the value of the tax base. After the introduction of the comprehensive real estate tax, South Korea also introduced other policies to combat investment demand, and South Korea's housing prices experienced a small short-term decline, but continued to rise after 2006. From a long-term perspective, changes in Korean housing prices are still affected by comprehensive factors such as supply and demand. For example, the comprehensive real estate tax rate in South Korea has increased since 2019, however, affected by

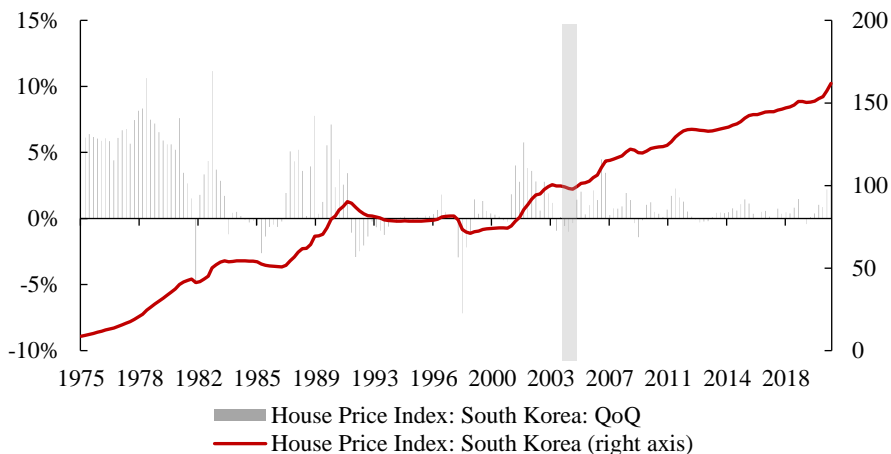
factors such as the liquidity environment, Korean housing prices accelerated the rise in 2020.

**Table 5: Korea comprehensive real estate tax rates in 2021 (Houses)**

Taxable value (KRW)	Tax rate: general	Tax rate: 3 or more sets of houses
< 300mn	0.60%	1.20%
300-600mn	0.80%	1.60%
600mn-1.2bn	1.20%	2.20%
1.2-5.0bn	1.60%	3.60%
5.0-9.4bn	2.20%	5.00%
>9.4bn	3.00%	6.00%

Source: Government website, CWSI Research

**Chart 11: After the introduction of the comprehensive real estate tax, Korean house prices have experienced a short-term slight decline**



Source: Federal Reserve Bank of Dallas, CWSI Research

**Japan: Fixed asset tax and city planning tax are levied on the appraised value of land and houses.** Taxes related to property ownership in Japan include fixed asset tax, city planning tax, etc., and are levied on the basis of the assessed value of houses and land. In principle, the value assessment can be carried out every three years. In terms of tax rate, the standard rate of fixed asset tax is 1.4%, and for city planning tax is not higher than 0.3%. The two types of taxes are levied on existing houses and land, and the fixed asset tax is one of the highest proportions of local taxes in Japan.

**Table 6: Overview of property related taxes in Japan**

	<b>Fixed Assets Tax</b>	<b>City Planning Tax</b>
Taxable housing	Land, buildings and depreciable assets	Land and buildings
Taxable value	Assessed Value of Land and Buildings	Price registered in the fixed assets tax ledger
Calculation	Standard taxable value × Tax rate - Reduction amount, etc.	Standard taxable value × Tax rate - Reduction amount, etc.
Reduction GFA	Land: ¥300,000; Residential building: ¥200,000	Same as fixed assets tax
Tax rate	1.40%	not higher than 0.3%

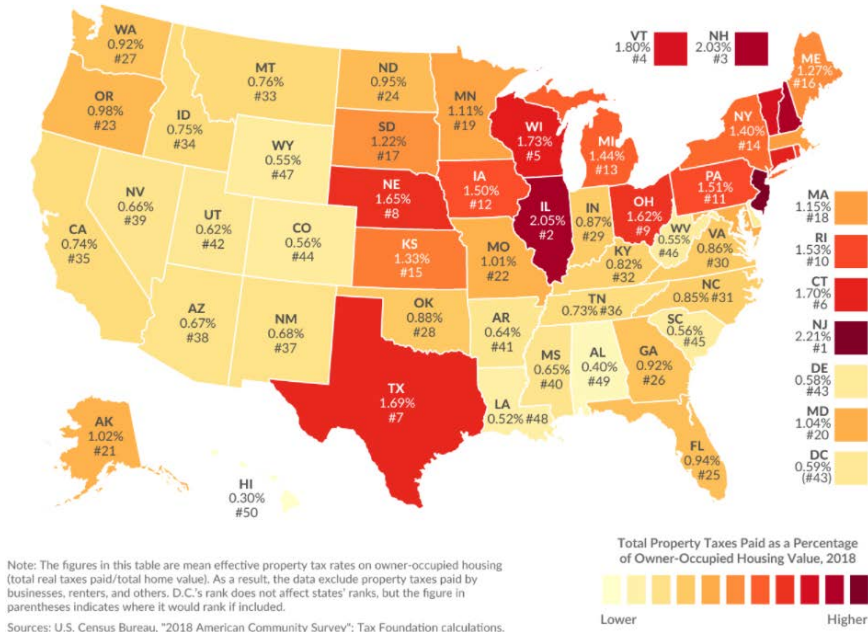
Source: Government website, CWSI Research

**Taxes related to property ownership may not be the main factors affecting Japan's housing prices.** Japan's real estate related taxes are mainly used as a source of taxation income, not as the main means of real estate regulation, and have a relatively limited impact on housing prices. Compared with the above taxes, changes in Japan's macroeconomic situation, demographic structure and other factors have a more significant impact on the real estate market.

**United States: Local governments levy property taxes.** Each state in the United States imposes property tax on its jurisdiction, and the tax object is mainly real estate. The tax base of U.S. property tax is usually a certain percentage (which is determined by local governments and varies greatly from place to place) of the appraised value of real estate. Property tax rates are also determined by local governments, and there are large differences between regions. For example, in fiscal year 2018, New Jersey had the highest tax rate, reaching 2.21%; while Hawaii, had the lowest tax rate tax rate of only 0.30%.

**Chart 12: U.S. state property tax rates vary greatly**  
**How High Are Property Taxes in Your State?**

Property Taxes Paid as a Percentage of Owner-Occupied Housing Value, 2018



Source: Tax Foundation, CWSI Research

**Property tax is an important source of tax revenue for US state-level local governments.** According to data from the Tax Foundation, property taxes accounted for 71.7% of local tax revenues and 31.1% of all tax revenues in the U.S. in fiscal year 2018, making them the most contributory tax category. The property tax in the United States originated in the colonial period. At first, only the local governments of some states levied taxes on land, some states levied taxes on property income, and some states did not levy taxes. From 1796 to the Civil War, the United States started to form a unified principle, levying uniform tax rates on movable and immovable property, tangible and intangible assets. After World War II, some states began to adopt the “circuit breaker” system to limit the rapid rise of property taxes, and some states have set up restrictions on the growth of the appraised value of real estate. Due to the early start of the US property tax, the changes in the real estate market before and after its collection still lack sufficient data to support.

**The international real estate tax system usually has a wider tax base. Real estate tax is an important source of income for local governments in some regions, and has limited mid- to long-term impact on the real estate market.** 1) Broader tax base: Hong Kong, South Korea, Japan, and the United States generally do not distinguish

between newly purchased and existing houses and are levied based on the land and house ownership and lease conditions. The tax base is built on credible value assessments, such as the Hong Kong Rating and Valuation Department's assessment of corresponding properties, and South Korea's government-published value. 2) Tax rate: There are certain differences in tax rates in different regions. For example, the comprehensive real estate tax in South Korea imposes a tax rate of 0.6%-6.0% on housing, and the standard rate of fixed asset tax in Japan is 1.4%. 3) Impact on the real estate market: Real estate taxes in Japan and the United States are more used as a source of funds for local governments rather than the main means of regulating the real estate market. In recent decades, South Korea and Hong Kong have tried to stabilize housing price fluctuations through real estate taxes. Although they have some effects in the short term, in the long run, comprehensive factors such as macroeconomics and supply and demand trends are still important driving forces affecting the trend of the real estate market.

**Table 7: Overview of real estate related tax in some countries and regions**

Country / region	Main types of property tax	Taxable value	Tax rate
Hong Kong	Rates, government rent, property tax	Assessed rental income	Rates: 5% Government rent: 3% Property tax: 15%
Korea	House and land property tax, comprehensive real estate tax	Government published value of the property	Comprehensive real estate tax (housing): 0.6%-6.0% Property tax (housing): 0.1%-0.4%
Japan	Fixed asset tax, city planning tax	Assessed value of land and buildings	Fixed asset tax: standard tax rate of 1.4% City planning tax: not higher than 0.3%
United States	property tax	A certain percentage of the market value of the house, which is determined by each local government	Determined by each local government
Shanghai	property tax	70% of the market transaction price of taxable housing	0.4%-0.6%
Chongqing	property tax	Market transaction price of taxable housing	0.5%-1.2%

Source: Government websites, CWSI Research

### 1.3 Summary: China's pilot and international experience

**Property tax can have an impact on the supply and demand of commercial housing.** On the supply side, on the one hand, the property tax will increase the cost of housing ownership, which will increase the willingness of current residents to sell multiple houses, leading to an increase in the supply of existing houses; on the other hand, more unsold vacant existing houses may enter the leasing market, since the tax will increase costs on holding homes, leading to an increase in the supply of rental





housing. On the demand side, due to the rising cost of ownership and the low rate of return on investment of housing in China, property tax may curb the demand for investment property purchases to a certain extent, especially for large units and villas.

**Housing prices may be affected by property taxes in the short-term, and in the long-term, they are more affected by comprehensive factors such as macroeconomics and supply and demand trends.** In the short term, under the effect of increasing supply and declining demand, the trend of rising housing prices may be suppressed to a certain extent; from the experience of Shanghai, Chongqing, Hong Kong and South Korea, real estate tax can indeed bring certain impacts to the real estate market in the short term. On the other hand, the introduction of property tax to government revenue may also give local governments an incentive to reduce the requirements for land transfer fees. Land costs and housing prices are also expected to remain relatively stable; property related taxes in Japan, the United States and other places have already become a relatively important source of income for local governments. In the long run, in addition to property taxes, comprehensive factors such as housing supply and demand and the liquidity environment will all have an impact on housing prices.

**A more complete property tax system in the world can bring certain reference significance to China.** Compared with some countries and regions, the implementation of property tax in China is not perfect. The current pilot projects in Shanghai and Chongqing are also different from the international property tax system. International experience can bring some reference for China. For example, the current real estate tax base in the pilot areas in China is relatively narrow and the tax rate is low. The contribution of real estate tax to local taxes is still relatively small, and it is difficult to use it as a supplement to land transfer income.

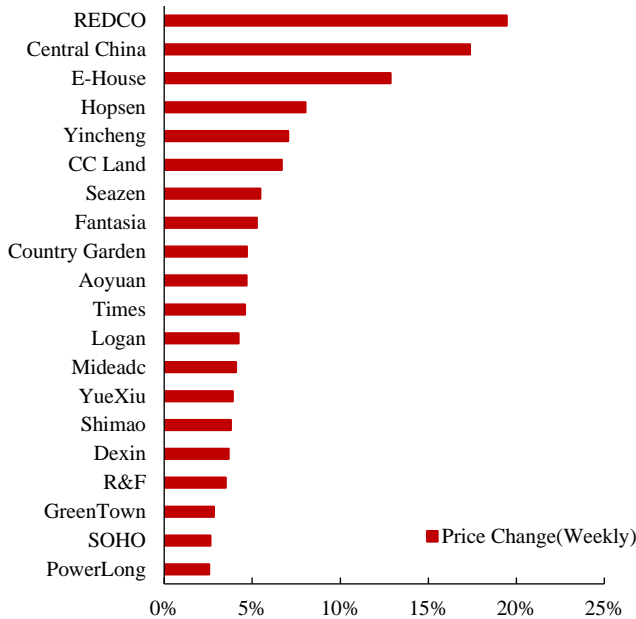
**Judging from the pilot situation in China, the current property tax in China is more focused on curbing speculative housing demand.** Judging from the pilots in Shanghai and Chongqing, compared with the international property tax as an important source of income for local governments, China's current property tax pilots are more focused on protecting the housing needs of local residents while curbing speculative house purchases. If China's property tax system can be gradually improved with reference to international experience, it may play a more active role in guiding the healthy development of housing consumption.

## 2. Sector Performance

### 2.1 Performance of developer sector

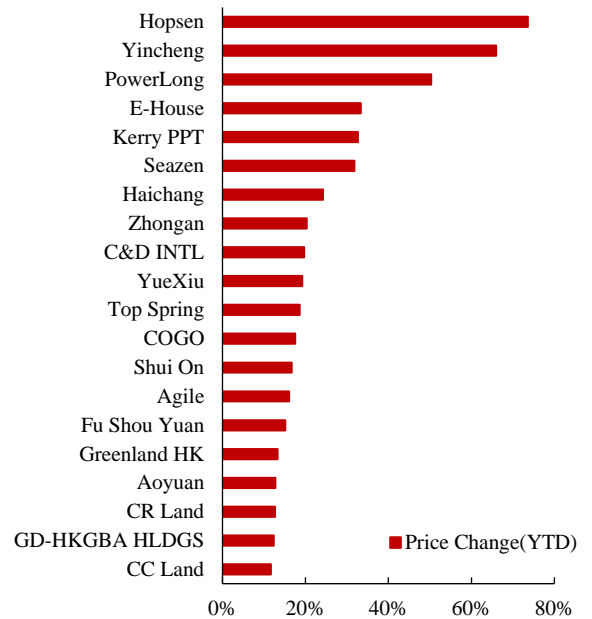
This week, REDCO, Central China and E-House had larger price increase than peers. Hopsen, Yincheng and PowerLong had better share price performance, YTD.

**Chart 13: This week, REDCO, Central China and E-House had larger price increase than peers**



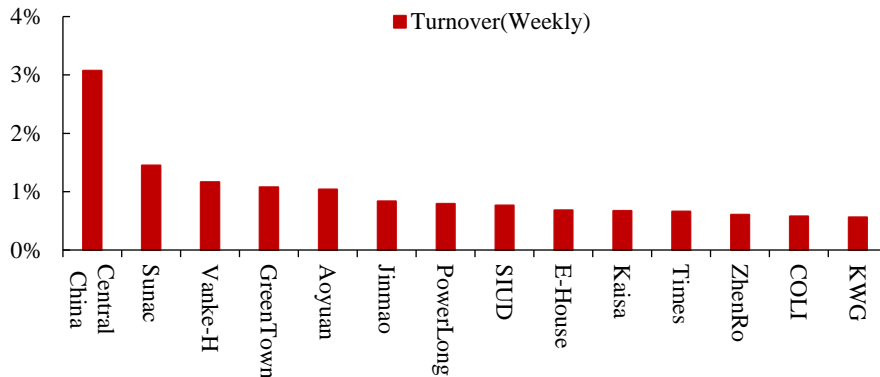
Source: Wind, CWSI Research

**Chart 14: Hopsen, Yincheng and PowerLong had better share price performance, YTD**



Source: Wind, CWSI Research

**Chart 15: Central China, Sunac and Vanke-H were most actively traded this week**

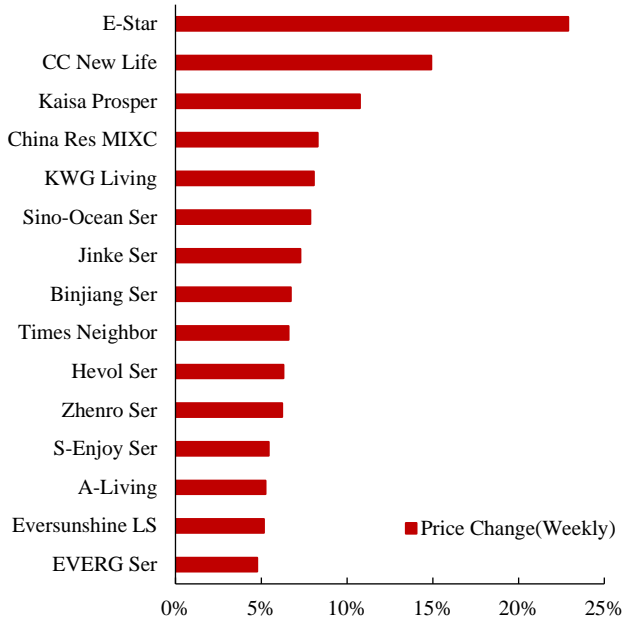


Source: Wind, CWSI Research

## 2.2 Performance of property management sector

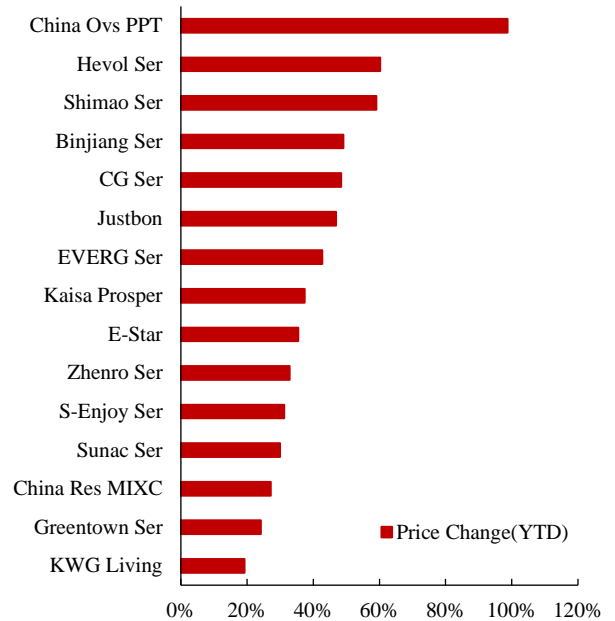
This week, E-Star, CC New Life and Kaisa Prosper had larger price increase than peers. China Ovs PPT, Hevol Ser and Shimao Ser had better share price performance YTD.

**Chart 16: This week, E-Star, CC New Life and Kaisa Prosper had larger price increase than peers**



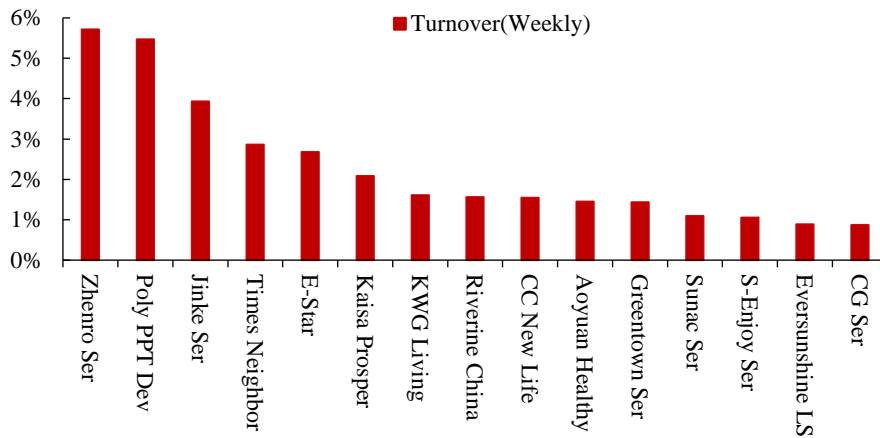
Source: Wind, CWSI Research

**Chart 17: China Ovs PPT, Hevol Ser and Shimao Ser had better share price performance YTD**



Source: Wind, CWSI Research

**Chart 18: Zhenro Ser, Poly PPT Dev and Jinke Ser were most actively traded this week**



Source: Wind, CWSI Research

### 3. Major cities transaction performance

#### 3.1 New house transaction data

Table 8: 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	189,365	6%	30%	869	9%	43%	432	-11%	-9%	3,568	92%
Shanghai	276,097	21%	-2%	1,090	-10%	-11%	700	-20%	-10%	6,073	75%
Guangzhou	219,037	-19%	24%	1,210	6%	73%	707	3%	61%	5,427	141%
Shenzhen	64,249	-4%	-12%	251	-35%	-14%	172	-35%	-12%	2,094	72%
<b>Tier 1</b>	<b>748,748</b>	<b>0%</b>	<b>11%</b>	<b>3,420</b>	<b>-3%</b>	<b>21%</b>	<b>2,011</b>	<b>-13%</b>	<b>7%</b>	<b>17,161</b>	<b>95%</b>
<b>Tier 2</b>	<b>2,886,314</b>	<b>-26%</b>	<b>9%</b>	<b>13,038</b>	<b>-4%</b>	<b>31%</b>	<b>8,725</b>	<b>-8%</b>	<b>31%</b>	<b>54,530</b>	<b>68%</b>
<b>Tier 3</b>	<b>2,069,273</b>	<b>-29%</b>	<b>-13%</b>	<b>10,288</b>	<b>-4%</b>	<b>8%</b>	<b>6,775</b>	<b>0%</b>	<b>7%</b>	<b>46,873</b>	<b>61%</b>
Beijing	189,365	↑ 6%	↑ 30%	869	↑ 9%	↑ 43%	432	↓ -11%	↓ -9%	3,568	↑ 92%
Qingdao	353,661	↓ -3%	↑ 6%	1,447	↓ -9%	↑ 4%	866	↓ -18%	↑ 11%	5,978	↑ 39%
Jinan	351,005	↑ 1%	↑ 7%	1,458	↑ 11%	↑ 34%	875	↓ -3%	↑ 9%	4,372	↑ 34%
Dongying	39,929	↓ -38%	-	176	↓ -9%	↓ -2%	124	↓ -5%	#####	1,044	↓ -1%
<b>PBR</b>	<b>933,960</b>	<b>↓ -2%</b>	<b>↑ 16%</b>	<b>3,950</b>	<b>↑ 1%</b>	<b>↑ 21%</b>	<b>2,297</b>	<b>↓ -11%</b>	<b>↑ 12%</b>	<b>14,963</b>	<b>↑ 43%</b>
Shanghai	276,097	↑ 21%	↓ -2%	1,090	↓ -10%	↓ -11%	700	↓ -20%	↓ -10%	6,073	↑ 75%
Nanjing	351,904	↓ -20%	↑ 125%	1,502	↓ -12%	↑ 66%	1,093	↓ -13%	↑ 40%	6,302	↑ 107%
Hangzhou	280,215	↓ -37%	↑ 46%	1,286	↑ 39%	↑ 63%	825	↑ 18%	↑ 74%	4,895	↑ 84%
Suzhou	256,509	↑ 2%	↑ 51%	1,040	↑ 9%	↑ 53%	659	↑ 4%	↑ 55%	4,192	↑ 49%
Wuxi	159,100	↑ 29%	↑ 46%	605	↑ 11%	↑ 33%	520	↑ 30%	↑ 75%	2,448	↑ 50%
Yangzhou	66,568	↓ -11%	↑ 10%	226	↓ -12%	↑ 43%	178	↓ -16%	↑ 35%	1,336	↑ 95%
Jiangyin	62,741	↓ -8%	↓ -4%	329	↓ -1%	↑ 72%	171	↓ -4%	↑ 41%	1,335	↑ 82%
Wenzhou	127,164	↓ -31%	↓ -55%	810	↓ -11%	↑ 9%	486	↓ -11%	↓ -3%	3,849	↑ 95%
Jinhua	37,405	↓ -41%	↓ -32%	185	↓ -4%	↓ -16%	120	↑ 14%	↓ -15%	1,183	↑ 105%
Changzhou	50,195	↓ -29%	↓ -26%	236	↑ 3%	↓ 0%	145	↑ 21%	↓ -4%	1,022	↑ 8%
Huaian	59,877	↓ -50%	↓ -45%	379	↓ -10%	↓ 7%	246	↓ -15%	↓ -15%	2,509	↑ 77%
Lianyungang	116,030	↓ -31%	↓ -19%	599	↓ -10%	↓ -8%	422	↓ -1%	↓ -10%	3,857	↑ 98%
Shaoxing	80,055	↓ -38%	↑ 8%	358	↑ 43%	↑ 42%	293	↑ 55%	↑ 78%	1,083	↑ 48%
Zhenjiang	128,462	↓ -29%	↓ -6%	687	↓ -14%	↑ 3%	405	↓ -17%	↓ -8%	2,873	↑ 56%
Jiaxing	10,509	↓ -67%	↓ -84%	149	↓ -12%	↓ -37%	90	↓ -7%	↓ -45%	685	↑ 1%
Wuhu	156,393	↓ -14%	↑ 261%	778	↓ -4%	↑ 382%	500	↓ -5%	↑ 329%	3,290	↑ 484%
Yancheng	30,734	↑ 4%	↓ -62%	171	↓ -35%	↓ -56%	60	↓ -71%	↓ -76%	1,672	↑ 30%
Zhoushan	27,722	↓ -51%	↓ -18%	163	↑ 5%	↑ 9%	101	↑ 15%	↑ 9%	556	↑ 29%
Chizhou	17,937	↓ -58%	↓ -19%	105	↑ 17%	↑ 20%	81	↑ 23%	↑ 36%	458	↑ 46%
Ningbo	121,743	↓ -63%	↓ -24%	792	↓ -2%	↑ 5%	565	↓ -6%	↑ 9%	3,588	↑ 78%
<b>YRD</b>	<b>2,417,361</b>	<b>↓ -25%</b>	<b>↑ 5%</b>	<b>11,488</b>	<b>↓ -2%</b>	<b>↑ 23%</b>	<b>7,660</b>	<b>↓ -4%</b>	<b>↑ 20%</b>	<b>53,207</b>	<b>↑ 79%</b>
Guangzhou	219,037	↓ -19%	↑ 24%	1,210	↑ 6%	↑ 73%	707	↑ 3%	↑ 61%	5,427	↑ 141%
Shenzhen	64,249	↓ -4%	↓ -12%	251	↓ -35%	↓ -14%	172	↓ -35%	↓ -12%	2,094	↑ 72%
Fuzhou	176,581	↓ -9%	↑ 338%	543	↓ -8%	↑ 277%	445	↑ 18%	↑ 321%	1,922	↑ 168%
Dongguan	116,938	↓ -5%	↓ -16%	353	↑ 6%	↓ -32%	254	↑ 21%	↓ -25%	1,988	↑ 38%
Quanzhou	12,064	↓ -75%	↓ -47%	115	↓ -2%	↓ -21%	101	↑ 25%	↑ 5%	585	↑ 19%
Putian	25,547	↓ -64%	↓ -9%	179	↓ -15%	↑ 30%	126	↓ -9%	↑ 67%	879	↑ 75%
Huizhou	45,335	↓ -28%	↑ 13%	202	↓ -15%	↑ 6%	121	↓ -14%	↓ -5%	1,124	↑ 73%
Shaoguan	26,558	↓ -29%	↓ -40%	143	↑ 14%	↓ -19%	84	↑ 36%	↓ -34%	578	↑ 5%
Foshan	276,862	↓ -28%	↑ 0%	1,221	↓ -3%	↑ 4%	965	↑ 26%	↑ 29%	5,141	↑ 48%
Zhaoqing	36,706	↓ -51%	↓ -9%	222	↓ -5%	↓ -4%	145	↑ 6%	↓ -10%	1,062	↑ 52%
Jiangmen	36,599	↓ -19%	↓ -12%	140	↓ -18%	↓ -14%	112	↓ -14%	↑ 4%	702	↑ 86%
<b>PRD &amp; Southern China</b>	<b>1,036,477</b>	<b>↓ -25%</b>	<b>↑ 12%</b>	<b>4,580</b>	<b>↓ -5%</b>	<b>↑ 18%</b>	<b>3,234</b>	<b>↑ 8%</b>	<b>↑ 28%</b>	<b>21,501</b>	<b>↑ 74%</b>
Taian	56,636	↓ -27%	↑ 2%	241	↑ 8%	↑ 17%	168	↑ 27%	↑ 13%	1,092	↑ 85%
<b>Northern China</b>	<b>56,636</b>	<b>↓ -27%</b>	<b>↑ 2%</b>	<b>241</b>	<b>↑ 8%</b>	<b>↑ 17%</b>	<b>168</b>	<b>↑ 27%</b>	<b>↑ 13%</b>	<b>1,092</b>	<b>↑ 85%</b>
Wuhan	602,787	↓ -18%	↑ 58%	2,548	↑ 13%	↑ 105%	1,635	↑ 4%	↑ 92%	9,304	↑ 215%
Yueyang	37,799	↓ -26%	↓ -26%	178	↓ -1%	↓ -18%	119	↑ 3%	↓ -20%	767	↑ 20%
Baoji	83,331	↓ -24%	↓ -3%	379	↓ -2%	↓ -25%	248	↑ 0%	↓ -23%	1,687	↑ 106%
<b>Central China</b>	<b>723,917</b>	<b>↓ -19%</b>	<b>↑ 40%</b>	<b>3,104</b>	<b>↑ 10%</b>	<b>↑ 58%</b>	<b>2,001</b>	<b>↑ 3%</b>	<b>↑ 51%</b>	<b>11,757</b>	<b>↑ 167%</b>
Chengdu	271,266	↓ -48%	↓ -53%	1,777	↓ -39%	↓ -9%	1,139	↓ -41%	↓ -13%	9,452	↑ 33%
Liuzhou	69,110	↓ -50%	↓ -41%	460	↓ -3%	↓ -22%	288	↑ 10%	↓ -21%	2,130	↑ 18%
Nanning	195,608	↓ -46%	↓ -48%	1,146	↑ 16%	↑ 0%	724	↑ 3%	↓ -9%	4,461	↑ 14%
<b>Western China</b>	<b>535,984</b>	<b>↓ -48%</b>	<b>↓ -50%</b>	<b>3,382</b>	<b>↓ -23%</b>	<b>↓ -8%</b>	<b>2,151</b>	<b>↓ -26%</b>	<b>↓ -13%</b>	<b>16,043</b>	<b>↑ 25%</b>
<b>Total</b>	<b>5,704,335</b>	<b>-25%</b>	<b>0%</b>	<b>26,746</b>	<b>-4%</b>	<b>20%</b>	<b>17,511</b>	<b>-6%</b>	<b>18%</b>	<b>118,563</b>	<b>68%</b>
Num. of cities Up		6	15		15	24		21	22		41
Num. of cities Down		36	26		27	18		21	20		1

Source: Local governments, CWSI Research; Note: Till 2021/5/21

**Table 9: Major cities inventory period was 12.1 months this week**

City	Inventory (sqm 000)	wow	yoy	Inventory period	Last week	wow	yoy
Beijing	12,080	0%	6%	13.9	13.8	0%	-26%
Shanghai	5,978	1%	-20%	5.5	5.0	10%	-11%
Guangzhou	8,689	0%	8%	7.2	6.9	4%	-38%
Shenzhen	1,902	2%	-9%	7.6	7.2	5%	6%
<b>Tier 1 Average</b>		<b>1%</b>	<b>-4%</b>	<b>8.5</b>	<b>8.2</b>	<b>5%</b>	<b>-17%</b>
Hangzhou	4,184	1%	14%	3.3	3.4	-4%	-30%
Nanjing	6,635	-2%	15%	4.4	4.3	3%	-31%
Suzhou	8,362	-1%	33%	8.0	8.3	-3%	-13%
Fuzhou	6,887	-2%	22%	12.7	13.9	-9%	-68%
Nanning	8,567	-1%	10%	7.5	7.3	2%	10%
Wenzhou	10,890	0%	-2%	13.4	12.8	5%	-11%
Quanzhou	6,843	1%	-4%	59.3	59.2	0%	21%
Ningbo	3,208	-2%	20%	4.0	4.0	2%	15%
Dongying	1,874	2%	8%	10.7	9.5	12%	9%
<b>Overall Average</b>		<b>0%</b>	<b>8%</b>	<b>12.1</b>	<b>12.0</b>	<b>2%</b>	<b>-13%</b>

Source: Local governments, CWSI Research; Note: Till 2021/5/21; Average WoW and average YoY are defined as average change of each city

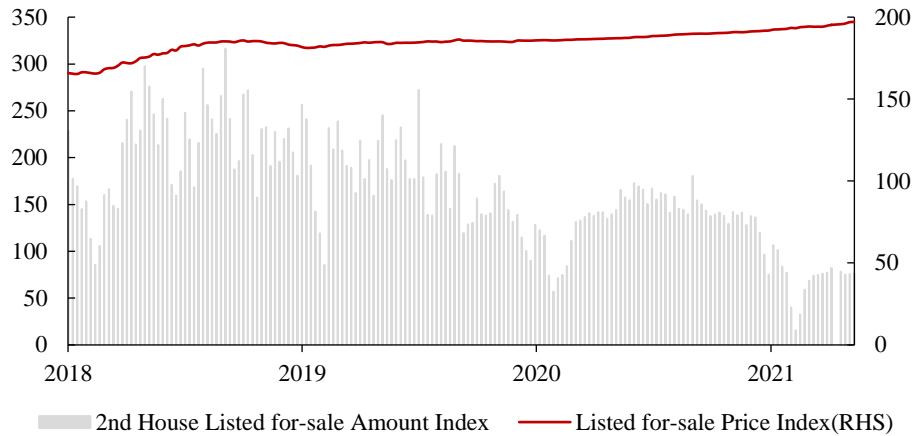
### 3.2 Second-hand house transaction and price data

**Table 10: Major cities Second-hand house transaction volume, Beijing and Foshan 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	439,026	↓ -13%	↑ 16%	1,775	↓ -1%	↑ 29%	1,074	↓ -4%	↑ 20%	7,514	↑ 95%
Shenzhen	80,667	↓ -7%	↓ -61%	309	↓ -34%	↓ -56%	190	↓ -38%	↓ -57%	2,070	↓ -20%
Hangzhou	158,726	↓ -8%	↓ -8%	633	↓ -4%	↑ 1%	389	↓ -6%	↓ -2%	2,707	↑ 64%
Nanjing	203,264	-	↓ -24%	687	↓ -30%	↓ -21%	203	↓ -74%	↓ -65%	4,070	↑ 44%
Chengdu	51,927	↓ -48%	↓ -63%	334	↓ -15%	↓ -35%	192	↓ -27%	↓ -41%	1,560	↓ -13%
Qingdao	150,205	↓ -15%	↑ 7%	635	↓ -10%	↑ 24%	392	↓ -21%	↑ 18%	2,580	↑ 69%
Wuxi	142,702	↓ -6%	↓ -24%	588	↑ 5%	↓ -25%	345	↓ -7%	↓ -33%	2,128	↑ 8%
Suzhou	207,468	↓ -4%	↑ 58%	765	↑ 2%	↑ 57%	469	↓ -12%	↑ 56%	3,134	↑ 69%
Xiamen	92,036	↓ -11%	↑ 3%	408	↓ -19%	↑ 33%	228	↓ -29%	↑ 15%	1,911	↑ 91%
Yangzhou	20,849	↓ -45%	↓ -32%	116	↓ -10%	↓ -2%	71	↓ -15%	↓ -8%	480	↑ 46%
Dongguan	30,657	↓ -8%	↓ -57%	124	↓ -10%	↓ -49%	74	↓ -17%	↓ -56%	671	↓ -20%
Nanning	7,996	↓ -73%	↓ -80%	135	↓ -20%	↓ -25%	53	↓ -50%	↓ -48%	658	↓ -4%
Foshan	177,889	↑ 11%	↑ 16%	712	↑ 6%	↑ 27%	422	↓ -10%	↑ 12%	2,928	↑ 94%
Jinhua	46,760	↓ -55%	↓ -48%	298	↑ 1%	↓ -23%	202	↓ -5%	↓ -1%	1,385	↑ 81%
Jiangmen	17,018	↓ -17%	↓ -9%	82	↑ 2%	↓ -1%	44	↓ -26%	↓ -16%	343	↑ 52%
<b>Total</b>	<b>1,827,189</b>	<b>-3%</b>	<b>-14%</b>	<b>7,602</b>	<b>-8%</b>	<b>-2%</b>	<b>4,350</b>	<b>-23%</b>	<b>-13%</b>	<b>34,139</b>	<b>46%</b>
<b>Num. of cities Up</b>		<b>1</b>	<b>5</b>		<b>5</b>	<b>6</b>		<b>0</b>	<b>5</b>		<b>11</b>
<b>Num. of cities Down</b>		<b>13</b>	<b>10</b>		<b>10</b>	<b>9</b>		<b>15</b>	<b>10</b>		<b>4</b>

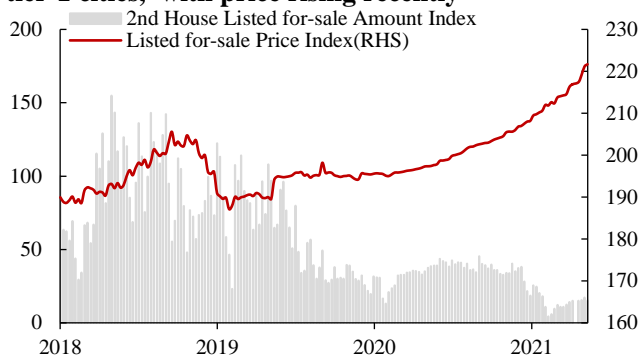
Source: Local governments, CWSI Research; Note: Till 2021/5/21

**Chart 19: 2nd house listed for-sale price index rose slightly recently**



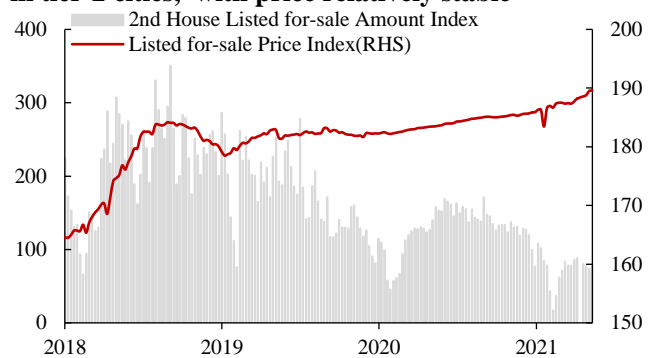
Source: Local Government, CWSI Research; Note: Till 2021/5/16

**Chart 20: 2nd house listed for-sale amount index rose in tier-1 cities, with price rising recently**



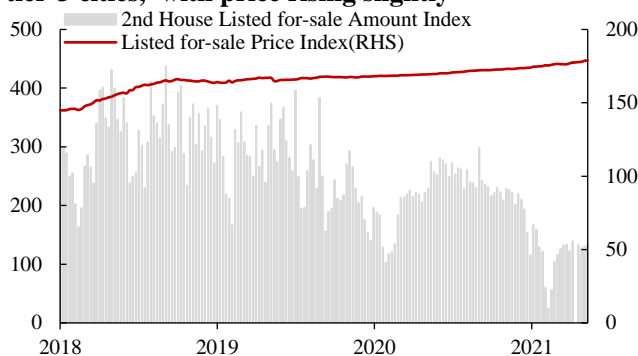
Source: Local Government, CWSI Research; Note: Till 2021/5/16

**Chart 21: 2nd house listed for sale amount index rose in tier-2 cities, with price relatively stable**



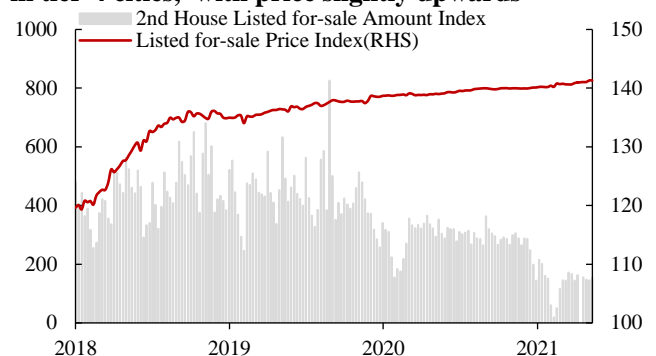
Source: Local Government, CWSI Research; Note: Till 2021/5/16

**Chart 22: 2nd house listed for-sale amount index rose in tier-3 cities, with price rising slightly**



Source: Local Government, CWSI Research; Note: Till 2021/5/16

**Chart 23: 2nd house listed for-sale amount index rose in tier-4 cities, with price slightly upwards**



Source: Local Government, CWSI Research; Note: Till 2021/5/16



## 4. Important Policies and News

### 4.1 Important Industry Policies News This Week

**Table 11: Important Industry Policies News This Week: CSRC approved the registration of 9 infrastructure public offering REITs; the newly-purchased commercial house in Huzhou can only be transferred after obtaining the real estate certificate for 2 years**

Date	Region / Institution	Summary
2021-05-17	CSRC	The Shanghai Stock Exchange and the Shenzhen Stock Exchange respectively announced that the first batch of infrastructure public offering REITs projects were approved by the CSRC for registration, involving a total of 9 infrastructure public offering REITs.
2021-05-19	Huzhou	For the land side, real estate linkage will be implemented, and hot areas will implement a real estate linkage mechanism of "limited house prices, limited land prices, competitive construction, and competitive self-holding". Newly purchased commercial houses (including second-hand houses) can only be transferred after obtaining the real estate certificate for 2 years; for newly-built commercial houses within the central city with the purchase intention greater than the saleable houses in the current period, notarized lottery sales will be implemented. All residential land projects sold by the method of "limited house price and limited land price" will be sold by lottery.

Source: Wind, Government website, CWSI Research

### 4.2 Company news and announcements

**Table 12: Company news and announcements: CIFI offers to purchase 7.625% senior notes with a total principal amount of USD 57.939 mn due in 2023; Zhenro Ser acquired 99% equity of Zhenro Commercial at a total consideration of RMB 891 mn**

Date	Company	Summary
2021-05-18	CIFI	Proposed offer to purchase 7.625% senior notes with a total principal amount of USD 57.939 mn due in 2023. After the settlement of the offer, the notes with a total principal amount of USD 242 mn will remain unredeemed.
2021-05-18	RedSun	Issued USD 210 mn 7.3% senior green notes due 2024.
2021-05-19	CMSK	Infrastructure REITs with the company's Wanrong Building Project and Wanhai Building Project as the underlying assets have been approved by CSRC for registration and approval.
2021-05-20	Zhenro Ser	Zhenro Ser acquired 99% equity of Zhenro Commercial for a total consideration of RMB 891 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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Sell – Describes stocks that we expect to provide a relative return of <-10%.

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