



## More favorable 2015: Stronger demand and supply dynamics

### Residential market entered the recovery period; positive 12-month outlook

After over 2 years of property market tightening, government policies on property market have started to turn towards loosening in Aug 2014, with HPRs and mortgage restrictions being relaxed. Such relaxations, together with improving housing affordability (except for Tier-1 cities), have substantially boosted homebuyers' sentiment on the demand-side. Meanwhile, developers' willingness to cut prices plus declines in land sales and construction starts are leading to improving supply-side dynamics. We expect the market to recover over 12 months, in 3 phases: 1) normalizing inventory periods in 4Q14-1Q15; 2) ASPs bottoming out in 2Q15; and 3) gradual ASP recovery in 2H15.

### More favorable demand-side dynamics

From our recent visits to various cities, we noted that homebuyer sentiment has started to recover following HPR relaxations in Aug, and this recovery has accelerated substantially after latest PBOC mortgage easing at end-Sep. This recovery is evident by the 40% MoM increases in commodity residential sales value and sales in Sep 2014, followed by 3 consecutive weeks of increase after Oct Golden Week holiday. While this first wave of rebound is driven more by first-time homebuyers, as PBOC mortgage easing is being implemented, the release of pent-up demand from home upgrade (which was suppressed since 2010) will drive further increases in overall sales volume. On our analysis, sales recovery is also supported by improving housing affordability (as measured by monthly mortgage burden, now well below historical average since Jan 2005), which should improve further as we see room for mortgage rates cuts ahead.

### More favorable supply-side dynamics

According to NBS, nationwide new home prices have fallen 4-6% since April, and sales have responded positively to such price cuts. On our analysis, overall residential inventory period (including properties under construction but with presale permits) has already peaked out and fallen to 16.5 months in Sep (down from a high of 21 months early 2014). As developers maintain price cuts and discounts, inventory period should continue to fall. Given significant falls in land sales (-26% YoY) and construction starts (-14% YoY) in 2014 YTD, new supply should fall further in 2H15, by then we see a return of pricing power.

### Key concerns: margin pressure, corporate governance events, financing risks

Given more price cuts and slower decline in land prices than property prices, we see more downward margin pressure. And with on-going anti-corruption campaign of central government and recent corporate governance events for some Chinese developers, we see higher risk premiums and deeper valuation discounts to be applied to certain non-state-owned Chinese developers.

### Top picks: COLI, CSCEC, CR Land, CMPD, Kaisa, R&F

Our positive industry views are supported by the current cheap valuations of the China property stocks. Our top picks are those with: 1) favorable landbank vintage (i.e. management has good market expertise in timing market cycles); 2) the ability to obtain cheap financing; 3) good revenue diversification (like a sizeable and growing investment property portfolio); and/or 4) very attractive valuations. We retain Sells on Shimao, Evergrande, Country Garden, Agile, and Gemdale given high financial risk and/or margin pressure. Our TPs are based on discounts to NAV. Key risks: unexpected economic and policy volatility.

Tony Tsang Jason Ching, CFA  
Research Analyst Research Analyst  
(+852) 2203 6256 (+852) 2203 6205  
tony.tsang@db.com jason.ching@db.com

### Top picks

COLI (0688.HK),HKD21.55	Buy
China Resources Land (1109.HK),HKD17.98	Buy
CSCEC (601668.SS),CNY3.29	Buy
China Merchants Property (000024.SZ),CNY12.44	Buy
Kaisa (1638.HK),HKD2.84	Buy

Source: Deutsche Bank

### Companies Featured

COLI (0688.HK),HKD21.55	Buy
China Resources Land (1109.HK),HKD17.98	Buy
CSCEC (601668.SS),CNY3.29	Buy
Kaisa (1638.HK),HKD2.84	Buy
Guangzhou R&F (2777.HK),HKD8.13	Buy
China Merchants Property (000024.SZ),CNY12.44	Buy
Country Garden Holdings (2007.HK),HKD2.97	Sell
Gemdale Corp (600383.SS),CNY7.43	Sell
Shimao Property (0813.HK),HKD16.00	Sell
Evergrande (3333.HK),HKD2.96	Sell
Agile Property (3383.HK),HKD4.10	Sell

Source: Deutsche Bank



## Table Of Contents

<b>More favorable 2015 .....</b>	<b>5</b>
We see more positive demand-side and supply-side dynamics for the sector over next 12 months.....	5
Entered a new policy relaxation cycle: Government policies have already turned towards loosening .....	5
Property sales started to show strong sequential recovery after recent policy relaxations .....	8
More favorable supply-side dynamics .....	11
 <b>Improving housing affordability .....</b>	 <b>14</b>
Improving housing affordability boosts end-user demand.....	14
Most Tier-2/3 cities have healthy affordability; Tier-1 cities are still the tightest .....	15
Income growths remain positive despite declines in property prices in 2014 ..	15
 <b>Inventory situations should continue to improve .....</b>	 <b>26</b>
Inventory period peaked out, set to fall further as market sentiment recovers	26
 <b>Falling land sales should lead to more favorable supply situations in 2015 .....</b>	 <b>32</b>
Land sales volume declined sharply in 2Q14 and 3Q14; positive for supply outlook in 2015.....	32
 <b>Taking a look at construction starts of listed developers vs. the industry .....</b>	 <b>40</b>
Listed developers stand to gain market share given positive new starts growth .....	40
Market share gains to drive future growth for individual developers .....	43
 <b>Balance between asset turnover and profitability is more important.....</b>	 <b>47</b>
High asset turnover no longer the best strategy for Chinese developers .....	47
Sole focus on fast asset turnover is not the best strategy; Tier-3/4 cities should not be scapegoats for lower margins .....	47
 <b>High net gearing of individual developers.....</b>	 <b>54</b>
Reported net gearing numbers of some developers likely underestimate actual leverage levels .....	54
First level of adjustment: reclassifying project-level PCSs from equity to debts .....	55
Second level of adjustment: applying more reasonable gross yield to value investment properties (IP) .....	56
 <b>Top buys and top sells.....</b>	 <b>63</b>
Top Picks: COLI, CSCEC, CR Land, China Merchants Properties, Kaisa, R&F ..	63
 <b>Valuation – COLI.....</b>	 <b>64</b>
Our estimated NAV for COLI is HK\$30.82/share .....	64
 <b>Investment risks – COLI.....</b>	 <b>65</b>
Macro risks .....	65
Company-specific risks .....	65
 <b>Financial analysis .....</b>	 <b>66</b>
We expect stable earnings growth ahead .....	66



## Table Of Contents (Cont'd)

<b>Valuation – CR Land .....</b>	68
Our estimated NAV for CR Land is HK\$28.52/share.....	68
<b>Investment risks – CR Land.....</b>	69
Macro risks .....	69
Company specific risks.....	69
<b>Financial analysis .....</b>	70
We expect solid earnings growth ahead.....	70
<b>Valuation – CMPD .....</b>	72
Our estimated NAV for CMPD is RMB23.46/share.....	72
<b>Investment risks – CMPD .....</b>	74
Macro risks .....	74
Company-specific risks .....	74
<b>Financial analysis – CMPD .....</b>	75
We expect solid earnings growth ahead.....	75
<b>Valuation – Kaisa .....</b>	77
Our NAV estimate is HK\$7.8/share .....	77
<b>Investment risks – Kaisa .....</b>	79
Macro risks .....	79
Company-specific risks .....	79
<b>Financial analysis – Kaisa .....</b>	80
Expect further margin expansion ahead .....	80
<b>Valuation – CSCEC .....</b>	82
Our estimated NAV for CSCEC.....	82
<b>Investment risks – CSCEC .....</b>	84
Macro risks .....	84
Company-specific risks .....	84
<b>Financial analysis – CSCEC .....</b>	85
We expect solid earnings growth for 2014-2016.....	85
<b>Valuation – R&amp;F.....</b>	89
Our estimated NAV for R&F is HK\$22.51 .....	89
<b>Investment risks – R&amp;F.....</b>	90
Macro risks .....	90
Company-specific risks .....	90
<b>Financial analysis – R&amp;F .....</b>	91
We expect net gearing to fall to below 140% by end-2014 .....	91
<b>Taking a look at valuations.....</b>	93
Historical NAV discount of individual stocks .....	94
Historical P/E and P/B of individual stocks.....	98
<b>Urbanization trend.....</b>	107
Taking a look at urbanization trends of individual municipal cities and provinces (with data available).....	107



## Table Of Contents (Cont'd)

<b>Taking a look at housing affordability .....</b>	<b>112</b>
Overall housing affordability has continued to improve .....	112
<hr/>	
<b>Government policy summary .....</b>	<b>119</b>
Government policies on property sector .....	119
<hr/>	
<b>A closer look at supply .....</b>	<b>150</b>
zNumber of months to clear available-for-sales/presales properties for individual cities .....	150
<hr/>	
<b>Local residential market .....</b>	<b>155</b>
GFA sold, started, completed and ASP of individual cities .....	155
<hr/>	
<b>NAV and land bank breakdown .....</b>	<b>171</b>
NAV and land bank breakdown of individual developers .....	171



# More favorable 2015

---

## We see more positive demand-side and supply-side dynamics for the sector over next 12 months

After over 2 years of property market tightening, government policies on property market have started to turn towards loosening in Aug 2014, with HPRs and mortgage restrictions being relaxed. Such relaxations, together with improving housing affordability (except for Tier-1 cities), have substantially boosted homebuyers' sentiment on the demand-side.

Meanwhile, developers' willingness to cut prices plus declines in land sales and construction starts are leading to improving supply-side dynamics. We expect the physical residential market to recover over 12 months, in 3 phases:

- 1) normalizing inventory periods in 4Q14-1Q15;
- 2) ASPs bottoming out in 2Q15; and
- 3) gradual ASP recovery in 2H15.

Overall, we expect continued recovery in sector fundamentals and more positive catalysts for the sector during this 12-month recovery period.

---

## Entered a new policy relaxation cycle: Government policies have already turned towards loosening

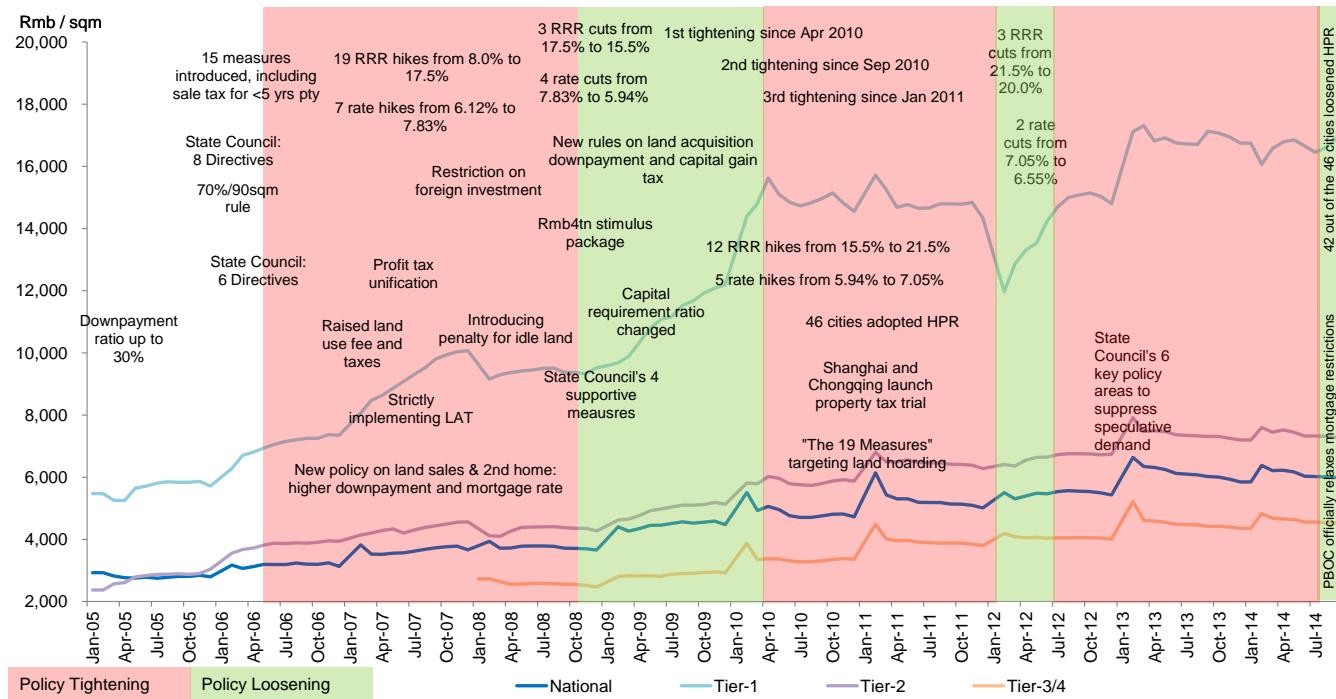
Since 2005, we have seen three cycles in the China property market, with each cycle being three years. In particular, 2008 was a down year following a strong 2006-07 (first cycle post-housing reform in 1998), followed by a strong 2009-10 and the market turned weak again in 2011 (second cycle). In the latest cycle, after strong years witnessed in 2012-13, sales momentum turned weak again in 2014 YTD. Overall, these three cycles highlight that market forces have been working well in the China property market, as opposed to other monopolistic or oligopolistic industries in the country.

At the same time, since 2005, the China property market have also gone through 3 policy tightening cycles and 2 policy loosening cycles already, and we see that the 3rd policy loosening cycle has just begun. Typically during the past policy loosening cycles, property sales have shown good increases, together with share prices of the developers.

Going forward, we believe the self-adjustment mechanism associated with these market pressures will allow the bigger and stronger developers to gain market shares at a faster pace.

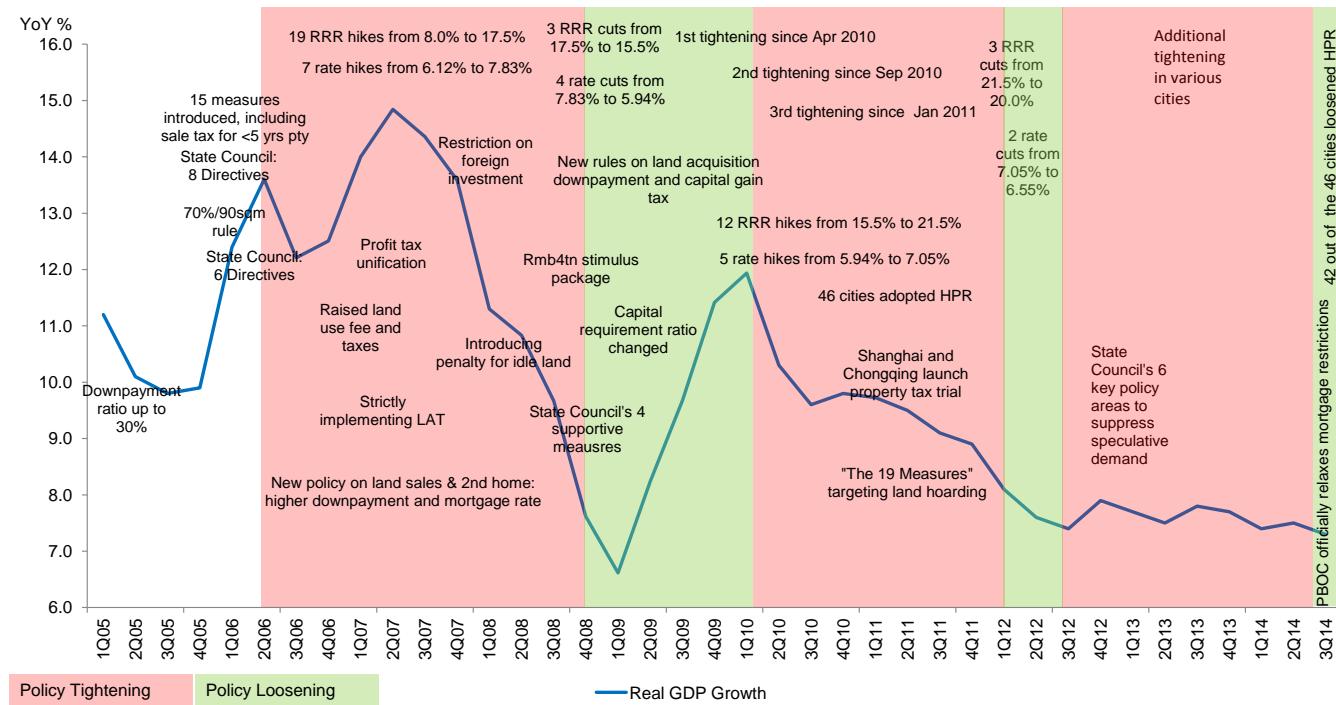


Figure 1: China Prop – Policy vs Commodity residential property ASP



Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction &amp; CIR, NBS, Deutsche Bank

Figure 2: China Prop – Policy vs GDP



Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction &amp; CIR, NBS, Deutsche Bank



Figure 3: China Prop – Policy vs CPI

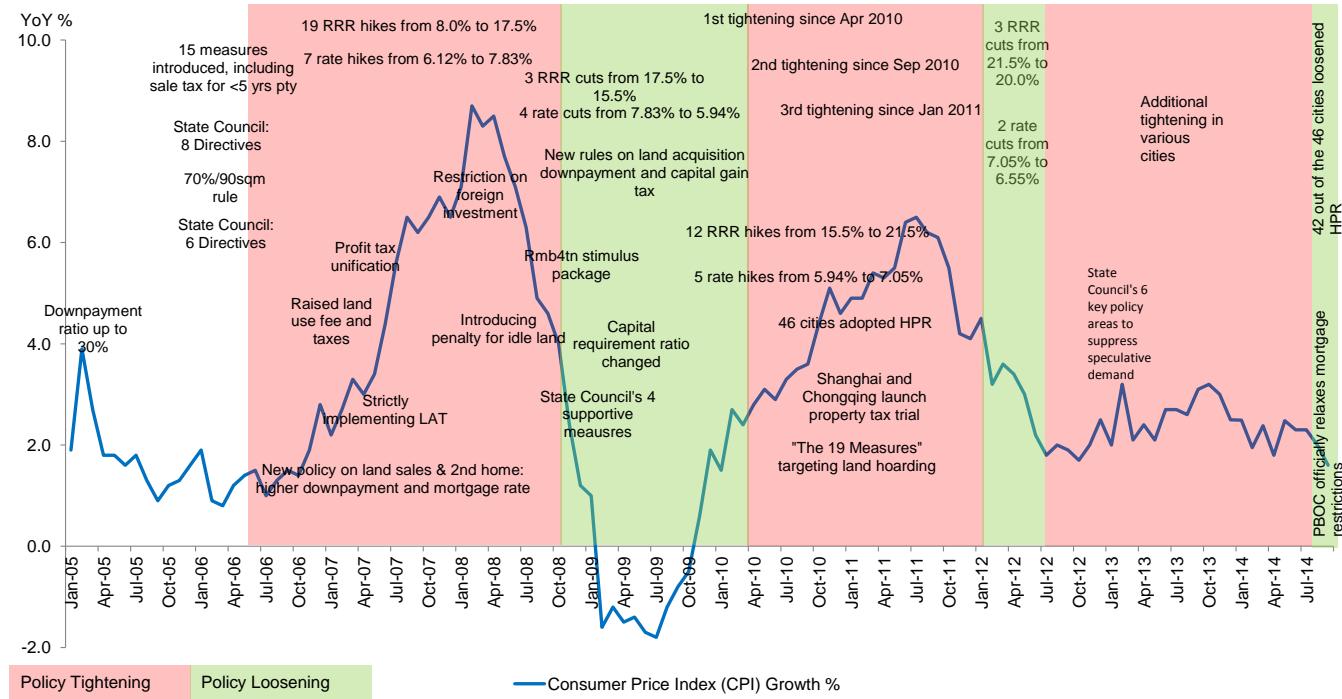


Figure 4: China Prop – Policy vs Share price of COLI

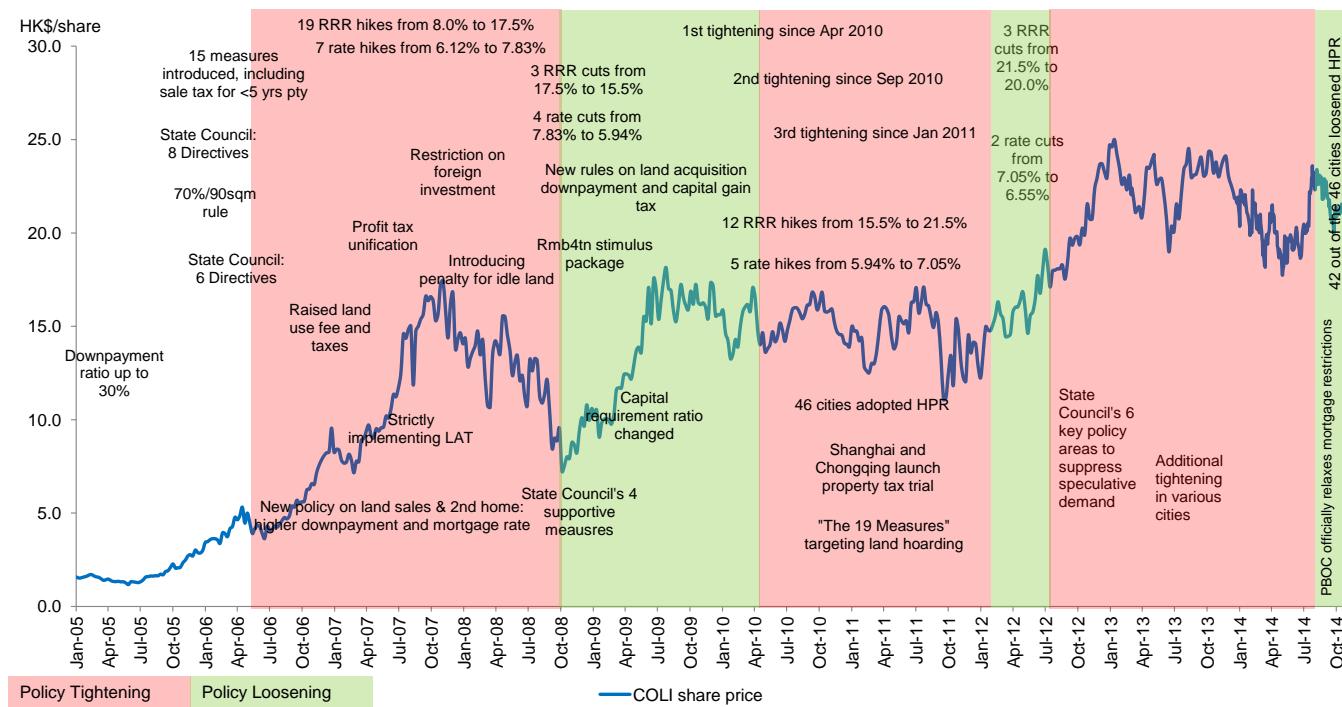




Figure 5: China Prop – Policy vs Share price of R&amp;F



## Property sales started to show strong sequential recovery after recent policy relaxations

From our recent property tours in various cities (e.g. Guangzhou, Foshan, Shenzhen, Shanghai, Chongqing, Shenyang, Qingdao and Changchun), we noted that homebuyers sentiment has started to recover following the HPR relaxations by local government in Aug, and has this recovery has accelerated substantially after latest PBOC mortgage easing at end-Sep.

Figure 6: China Prop – Monthly commodity residential sales value (RMBbn)

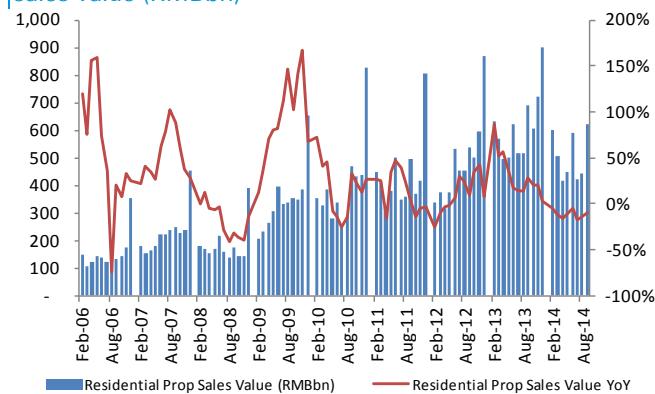
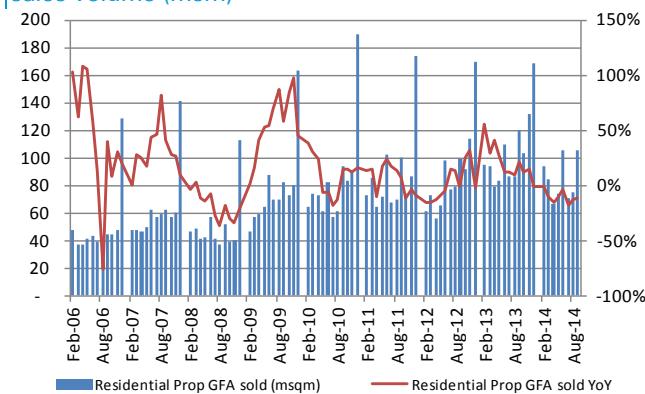


Figure 7: China Prop – Monthly commodity residential sales volume (msm)

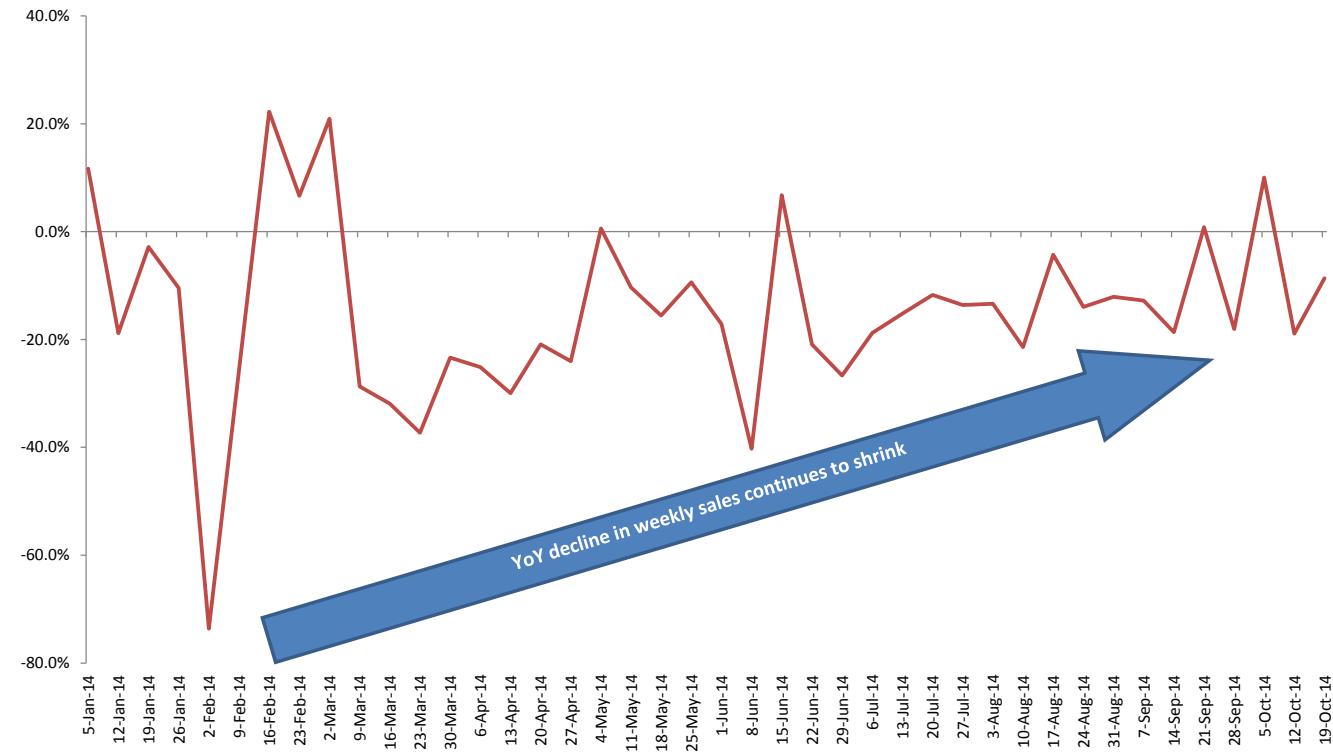


This recovery is evident by the 40% MoM increases in commodity residential sales value and sales volume in Sep 2014, followed by 3 consecutive weeks of increase in sales after Oct Golden Week holiday. This first wave of volume



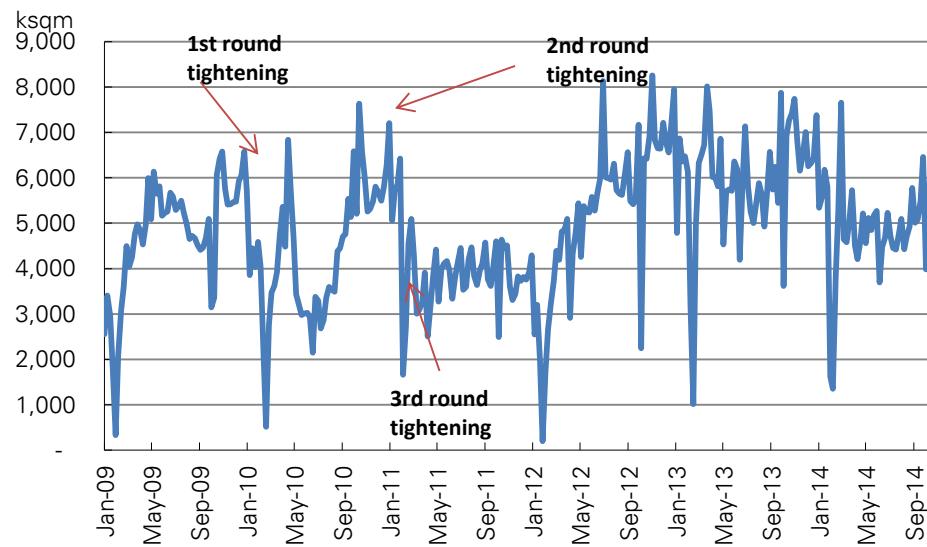
rebound is driven more by first-time homebuyers, but as PBOC mortgage easing is being gradually implemented, the release of pent-up demand from home upgrade (which was suppressed since 2010) will drive further increases in overall sales volume.

Figure 8: China Prop – YoY decline in weekly sales volume among 40 major cities continues to shrink



Source: Soufun, Deutsche Bank

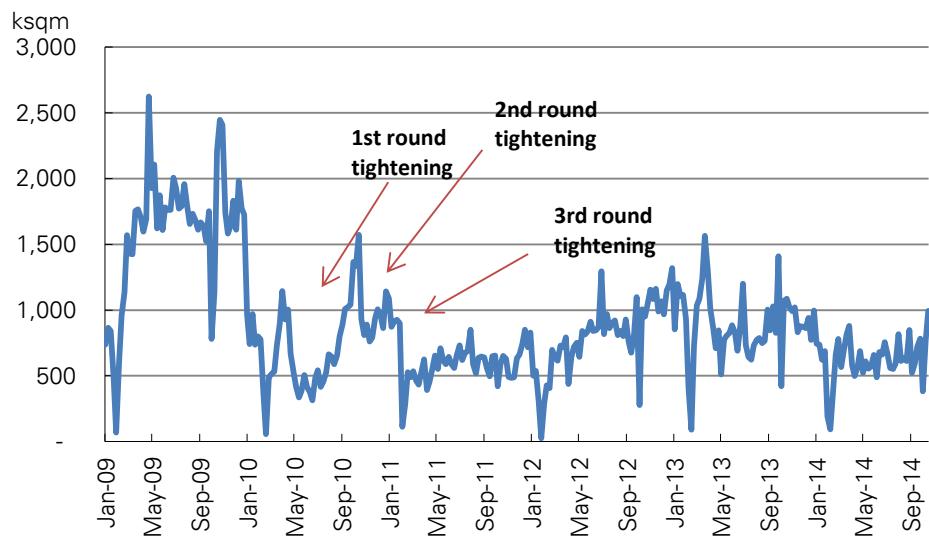
Figure 9: Weekly transaction volumes of the 40 major cities in China



Source: Deutsche Bank, Soufun

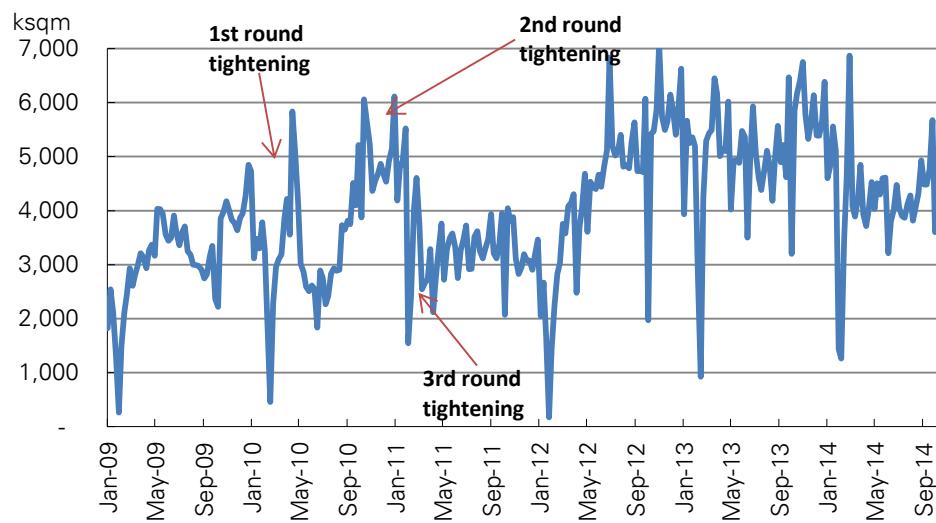


Figure 10: Weekly transaction volumes of Tier-1 cities in China



Source: Deutsche Bank, Soufun

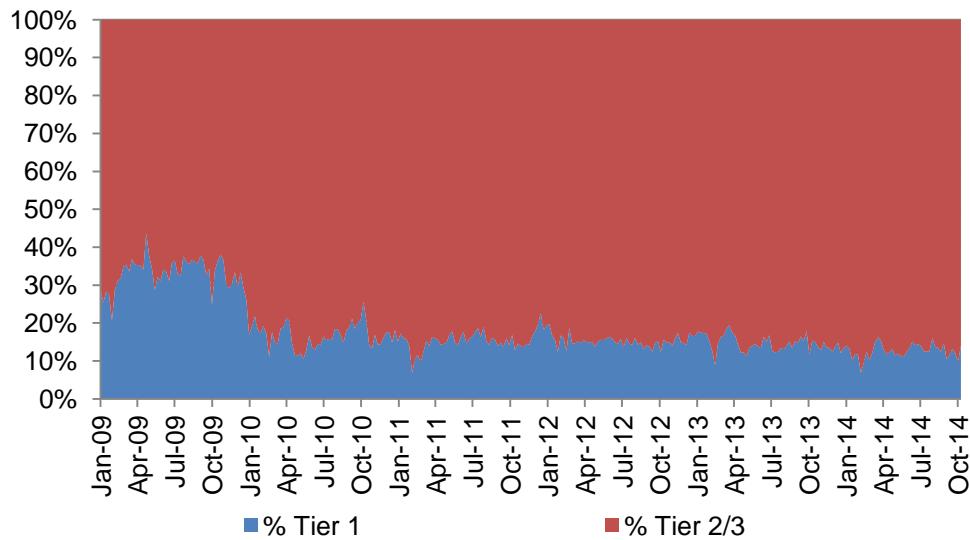
Figure 11: Weekly transaction volumes of Tier-2/3 cities in China



Source: Deutsche Bank, Soufun



Figure 12: Percentages of Tier-1 and Tier-2/3 cities' volumes

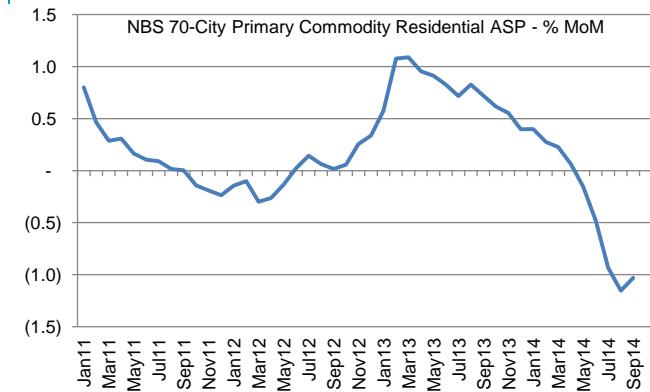


Source: Deutsche Bank, Soufun

## More favorable supply-side dynamics

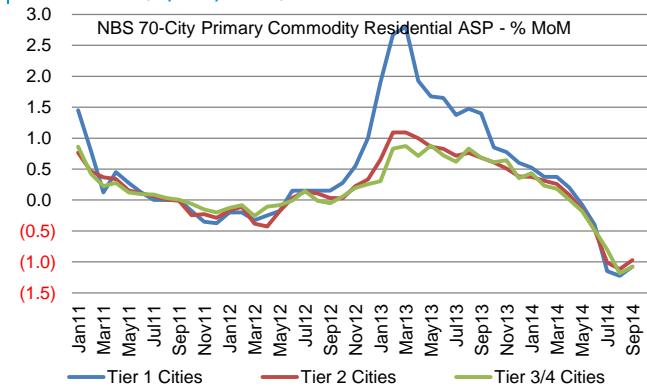
According to the statistics from NBS, nationwide new home prices have fallen about 4-6% since April, and sales have responded positively to such price cuts.

Figure 13: NBS 70-City Primary Commodity Residential Price Index



Source: NBS, Deutsche Bank

Figure 14: NBS 70-City Primary Commodity Residential Price Index (by city tiers)



Source: NBS, Deutsche Bank



Figure 15: NBS 70-City Primary Commodity Residential Price Index YoY Change

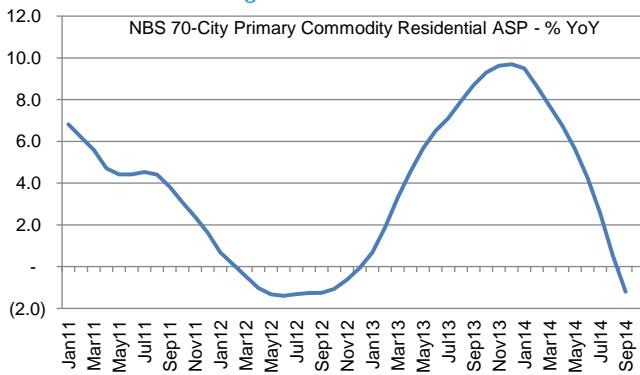


Figure 16: NBS 70-City Primary Commodity Residential Price Index (by city tiers) YoY Change

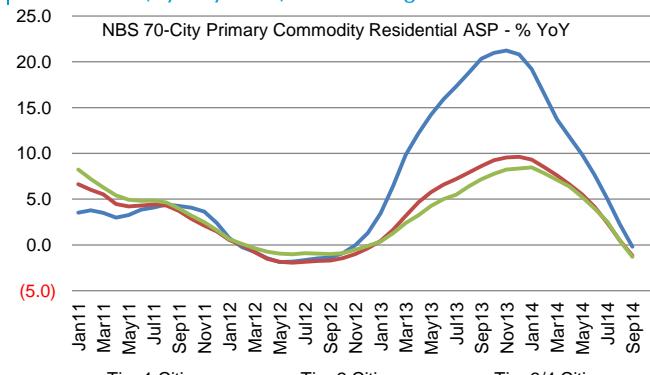


Figure 17: Inventory period (simple avg) vs ASP change vs Sales vol change

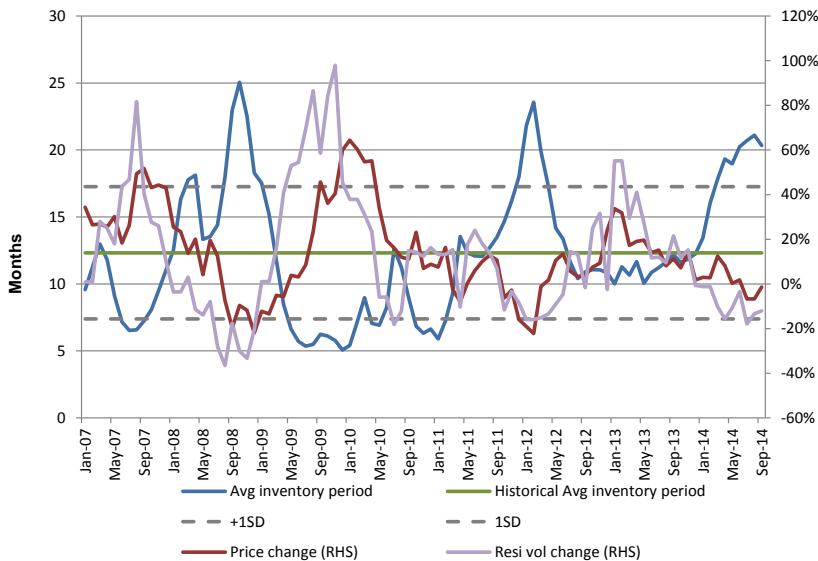




Figure 18: Inventory period (wtg avg) vs ASP change vs Sales vol change

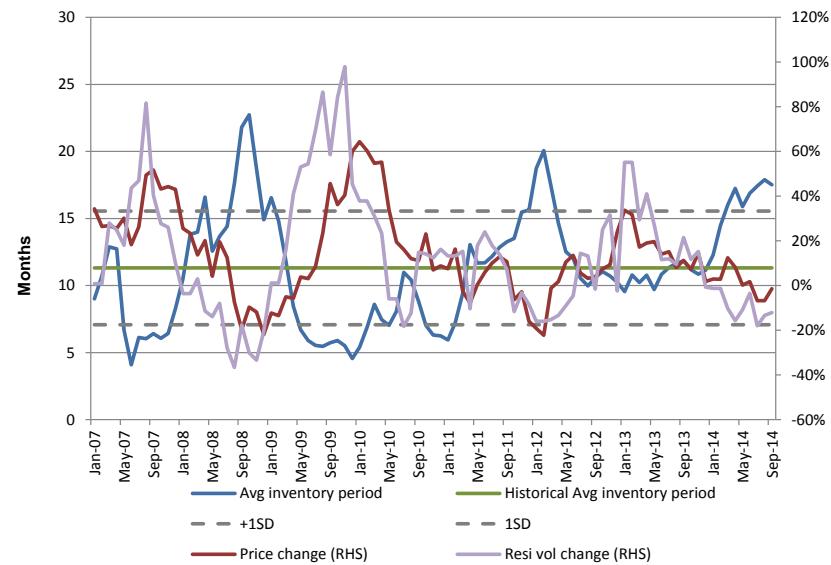
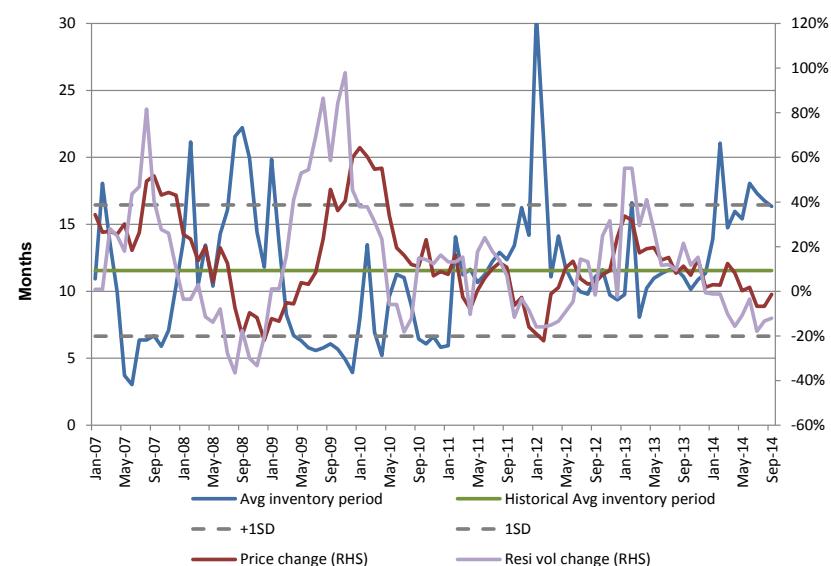


Figure 19: Inventory period (wtg avg) vs ASP change vs Sales vol change



On our analysis, the overall commodity residential inventory period (including properties under construction but with presale permits) has already peaked out and started to fall in Sep (16.5 months in Sep, down from a high of 21 months in early 2014). As developers are still maintaining price cuts and discounts, inventory period should continue to fall. Looking ahead, given significant falls in land sales (-26% YoY) and construction starts (-14% YoY) in 2014 YTD, new supply should fall starting 2H15, and by then we expect to see a return of pricing power to the Chinese developers.



# Improving housing affordability

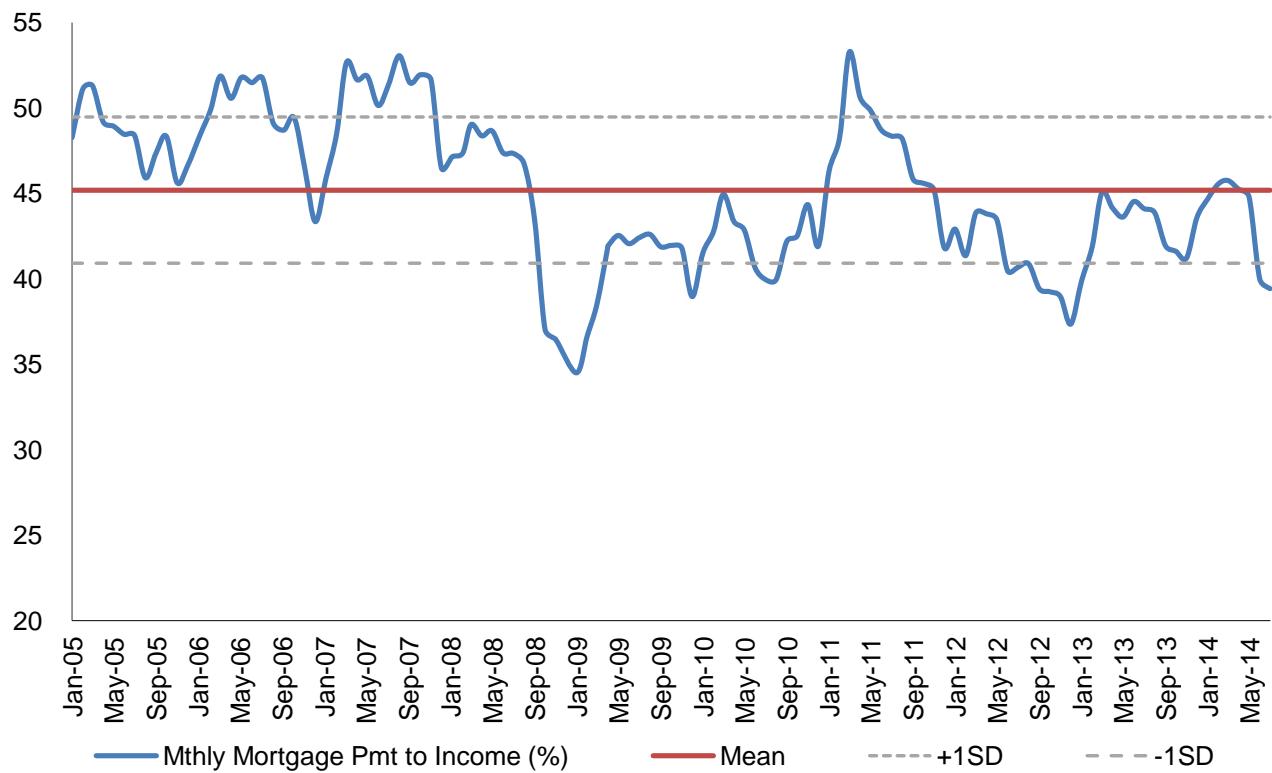
## Improving housing affordability boosts end-user demand

On our analysis, China's national housing affordability, as measured by the monthly mortgage burden, has continued to improve in the past 6 months, and is now well below the historical average since Jan-05. The key reasons behind this improvement in housing affordability are:

- 1) home prices in most cities have started to fall since April, while income in most cities have continue to show positive growth; and
- 2) mortgage interest rates have started to fall in July.

Looking at a longer horizon, since 2011, overall home price growth in China has lagged behind income growth, which also reflected the success of the property market tightening measures of the central government. This should also highlight that some overseas concerns about 'bubbles' in the China property market are overdone.

Figure 20: Historical affordability – national (up to end-Aug 2014)



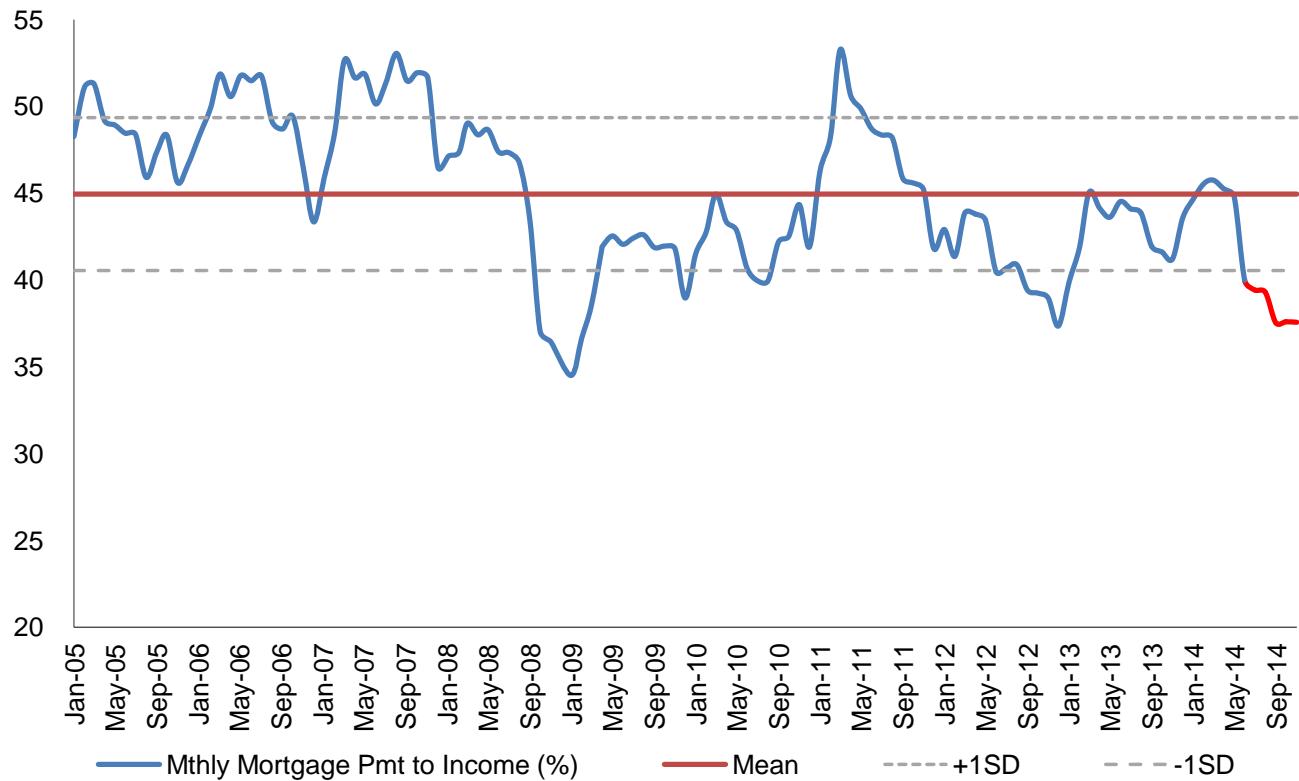
Source: NBS, Soufun, Deutsche Bank



## Most Tier-2/3 cities have healthy affordability; Tier-1 cities are still the tightest

On our analysis, housing affordability varies across different cities. In general, housing affordability in Tier-1 cities has remained tight (with monthly mortgage payments making up a meaningfully higher % of monthly household income). This tight affordability suggests that home purchase restrictions (HPRs) are unlikely to be relaxed in the near-term. Conversely, housing affordability in most Tier-2/3 cities remains healthy (and better than the historical average) as income growth has remained positive despite falling property prices in 2014.

Figure 21: Historical affordability – national (with forecast for end-2014 level assuming unchanged property prices and mortgage interest rates from current levels)



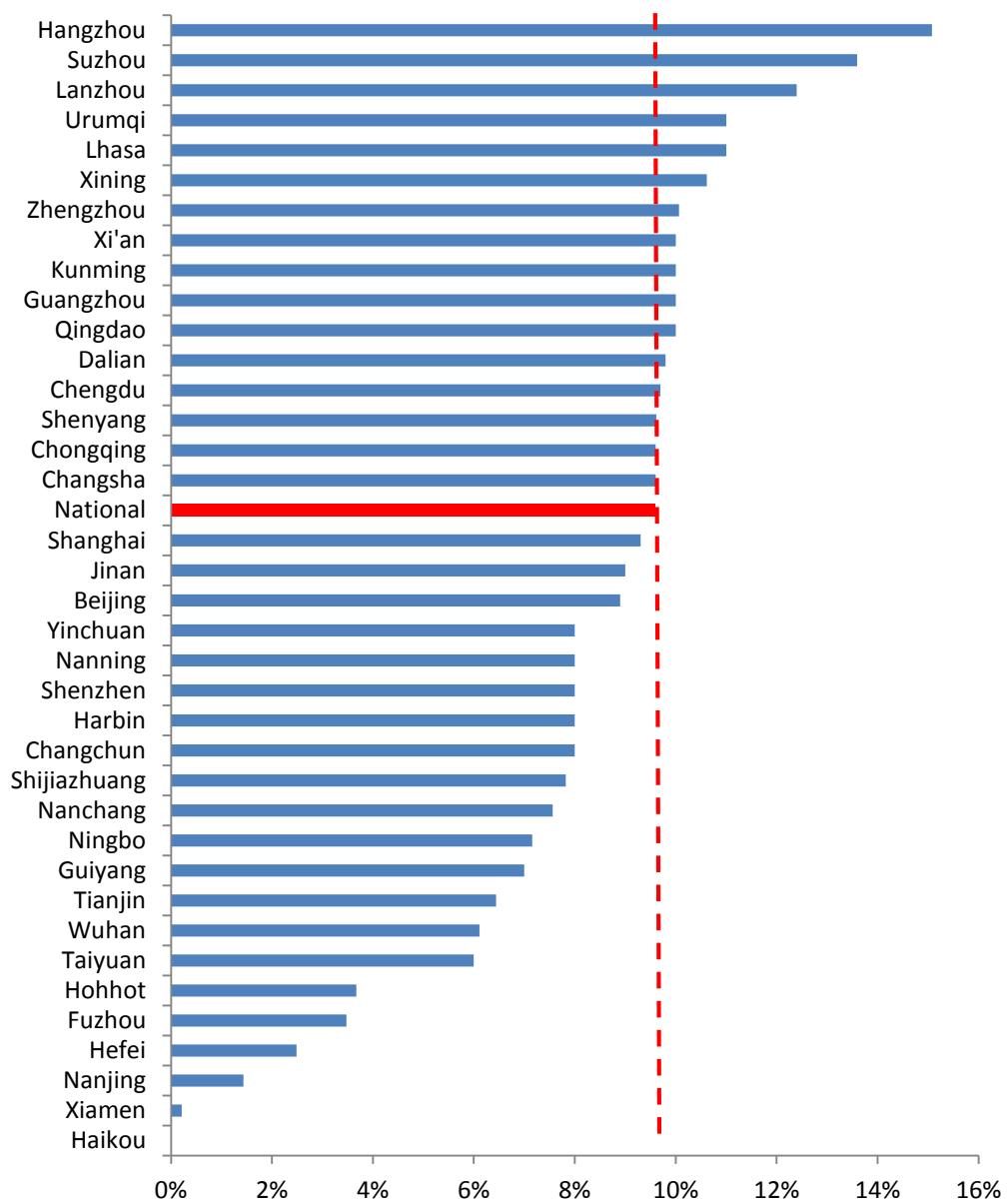
Source: NBS, Soufun, Deutsche Bank

## Income growths remain positive despite declines in property prices in 2014

Despite the slowdown in GDP growth for the whole country, for the 37 cities under our housing affordability analysis, average disposable household income has risen by 8.1% YoY in 1H14, with the highest growth being 15.1%. These positive growths in disposable income enhance housing affordability, especially given ASP declines in 2014, and highlight that the economic reform of the central government has indeed improve quality of growth in the country.



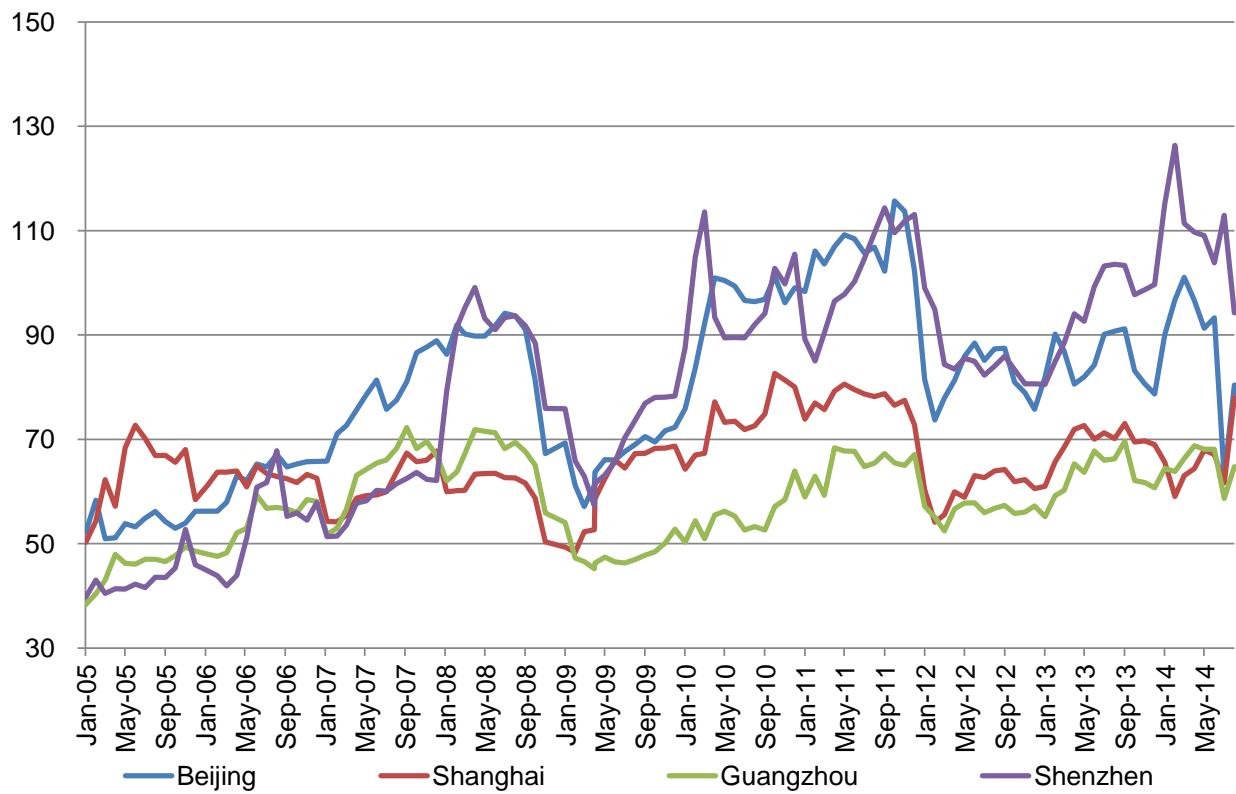
Figure 22: China Prop - Growth in disposable household income per capita (6M14 vs 6M13)



Source: NBS, Local statistics bureau Deutsche Bank Estimate,



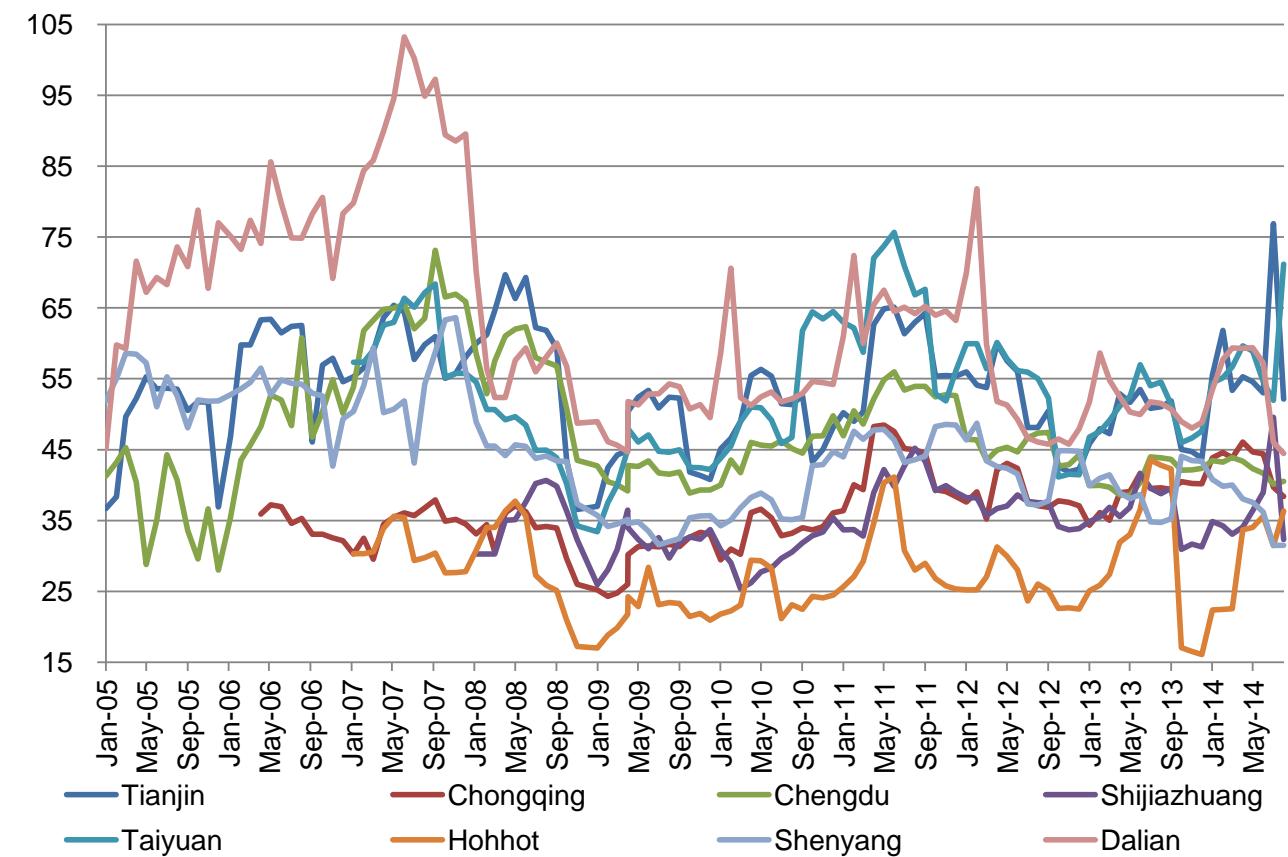
Figure 23: Historical affordability – tier-1 cities



Source: NBS, Soufun, Deutsche Bank



Figure 24: Historical affordability – major tier-2 cities



Source: NBS, Soufun, Deutsche Bank



Figure 25: Historical affordability – major tier-2 cities (cont'd)

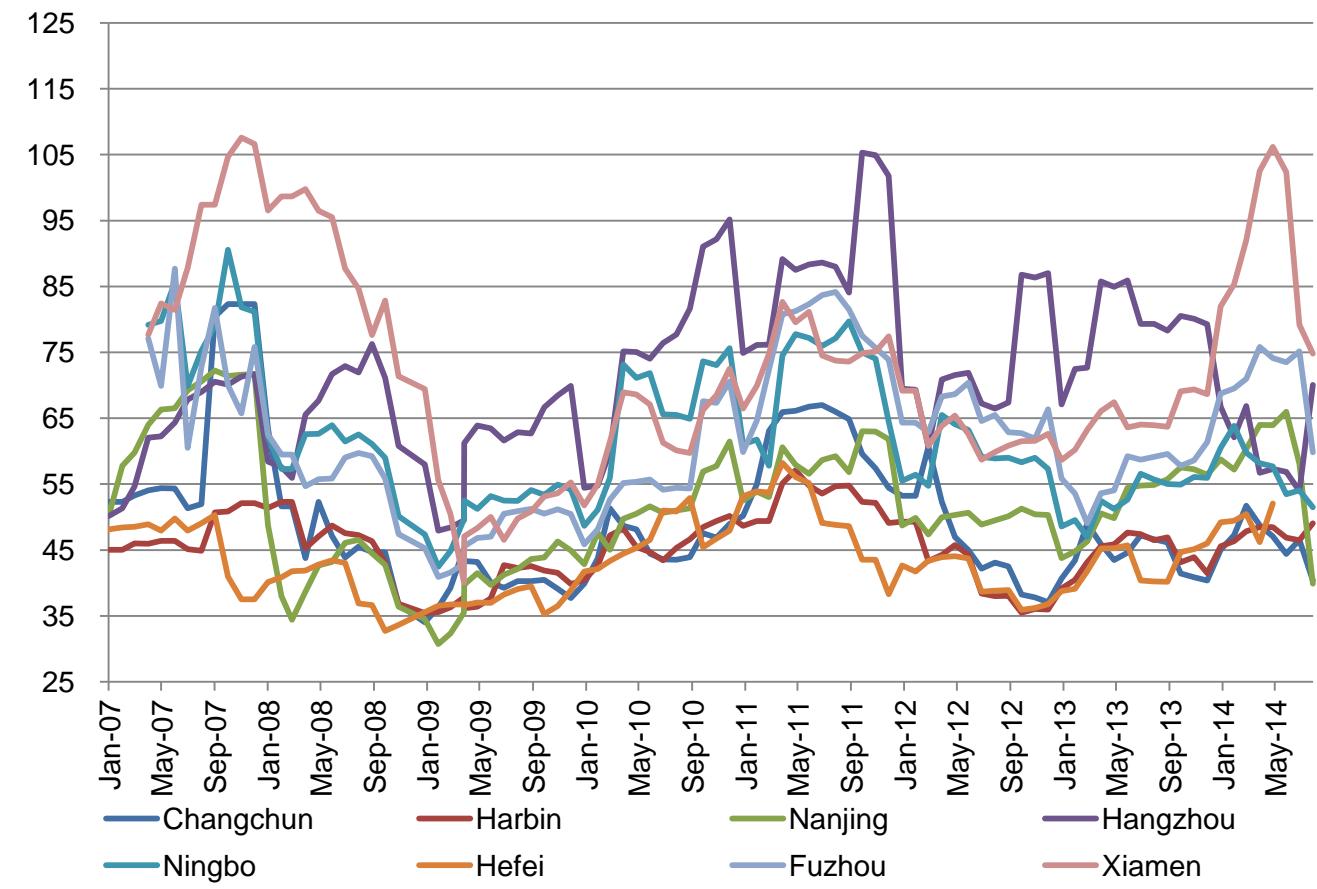


Figure 26: Historical average affordability – national vs. tier-1 and tier-2/3 cities

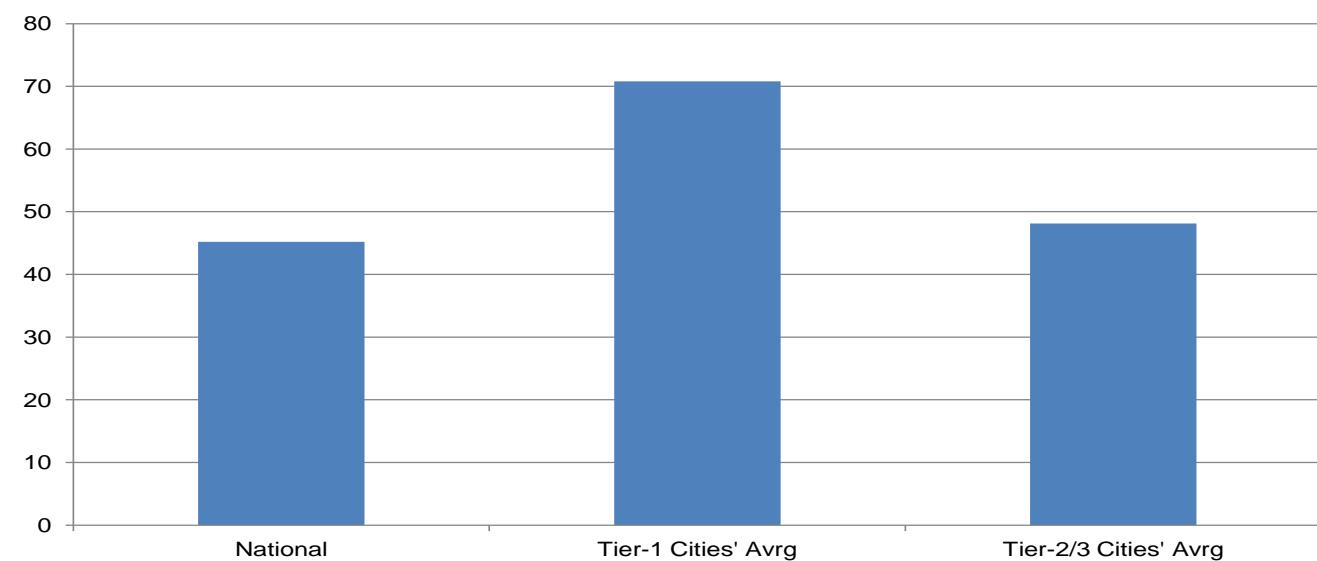




Figure 27: Historical affordability - Beijing

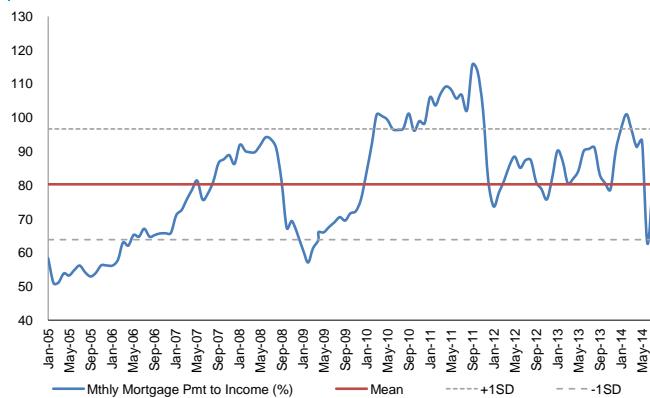


Figure 28: Historical affordability - Shanghai

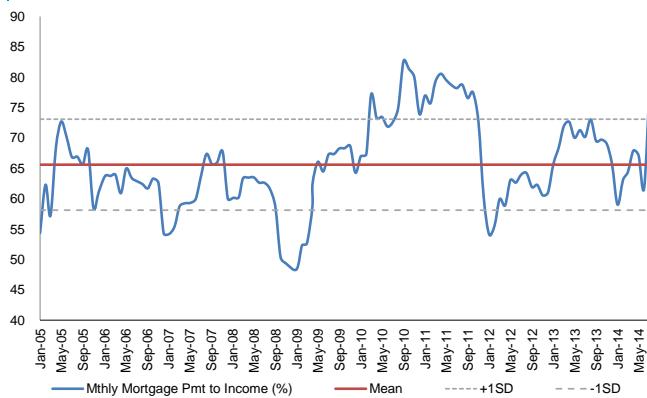


Figure 29: Historical affordability - Guangzhou



Figure 30: Historical affordability - Shenzhen

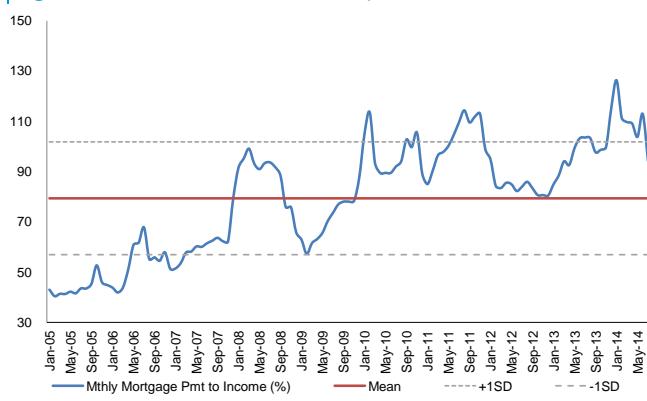


Figure 31: Historical affordability - Tianjin

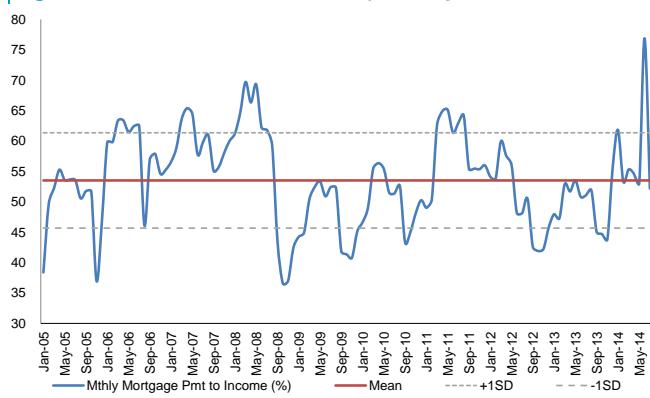
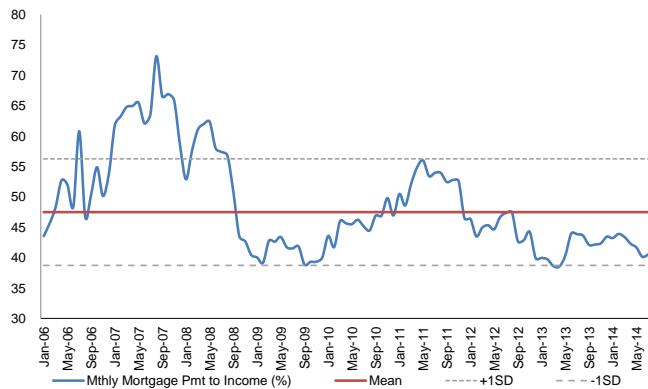


Figure 32: Historical affordability - Chongqing



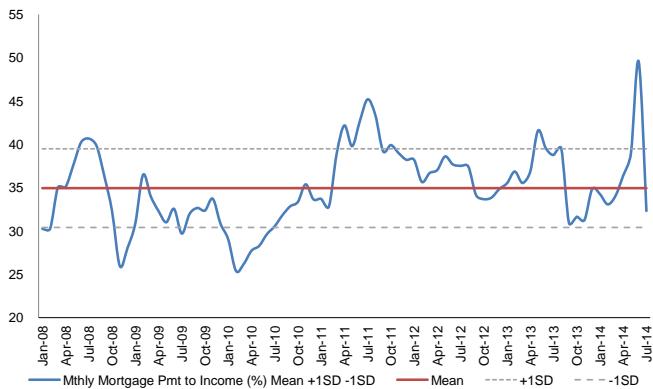


Figure 33: Historical affordability - Chengdu



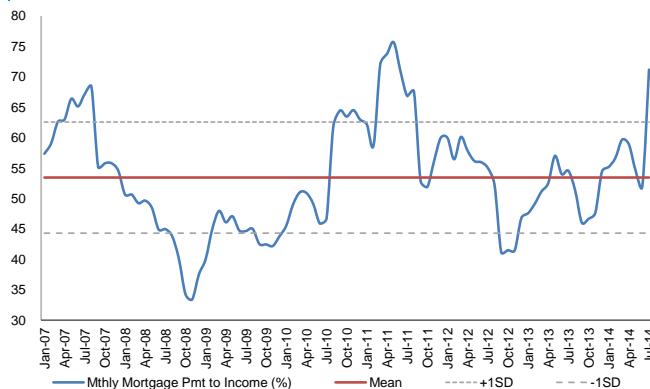
Source: NBS, Soufun, Deutsche Bank

Figure 34: Historical affordability - Shijiazhuang



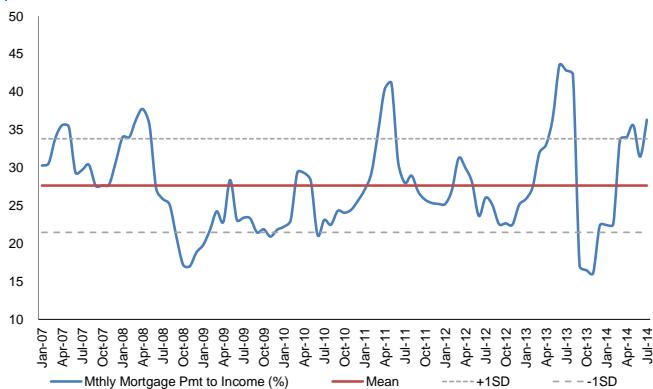
Source: NBS, Soufun, Deutsche Bank

Figure 35: Historical affordability - Taiyuan



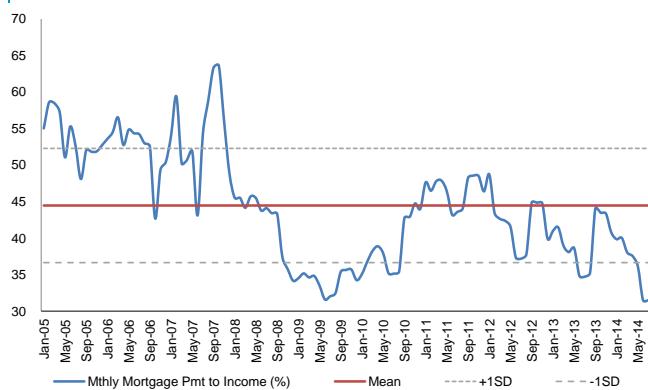
Source: NBS, Soufun, Deutsche Bank

Figure 36: Historical affordability - Hohhot



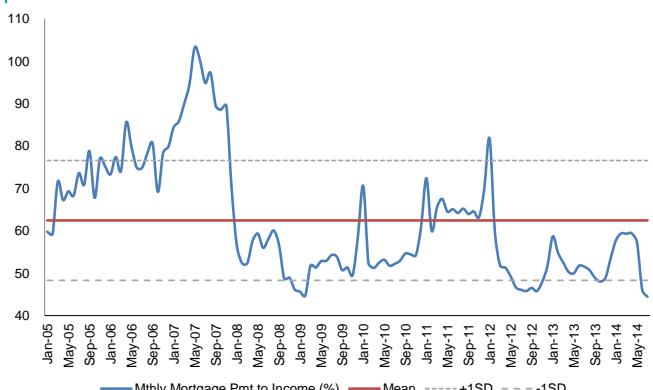
Source: NBS, Soufun, Deutsche Bank

Figure 37: Historical affordability - Shenyang



Source: NBS, Soufun, Deutsche Bank

Figure 38: Historical affordability - Dalian



Source: NBS, Soufun, Deutsche Bank



Figure 39: Historical affordability - Changchun

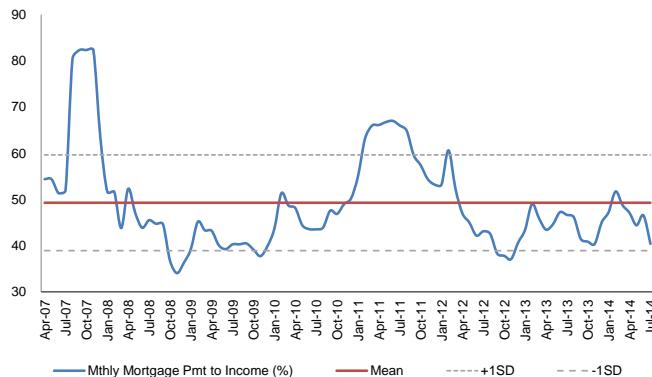


Figure 40: Historical affordability - Harbin

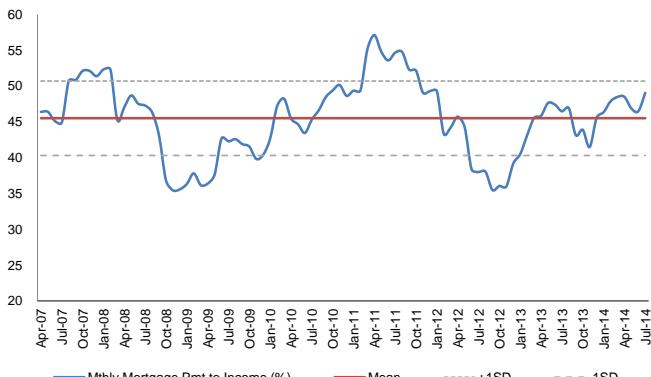


Figure 41: Historical affordability - Nanjing

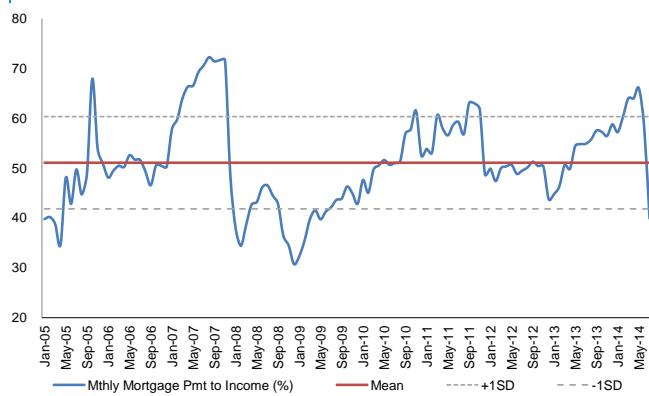


Figure 42: Historical affordability - Suzhou

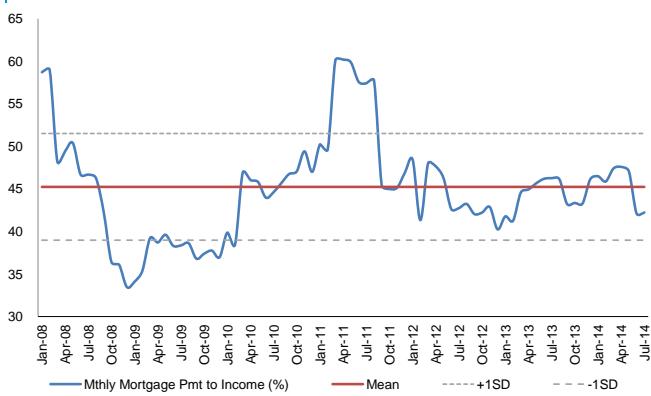


Figure 43: Historical affordability - Hangzhou

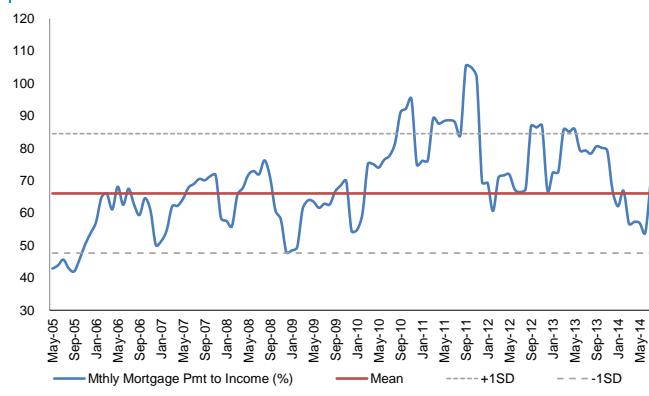


Figure 44: Historical affordability - Ningbo

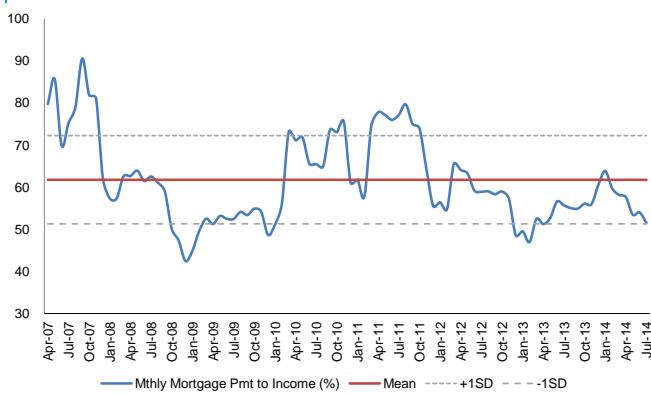
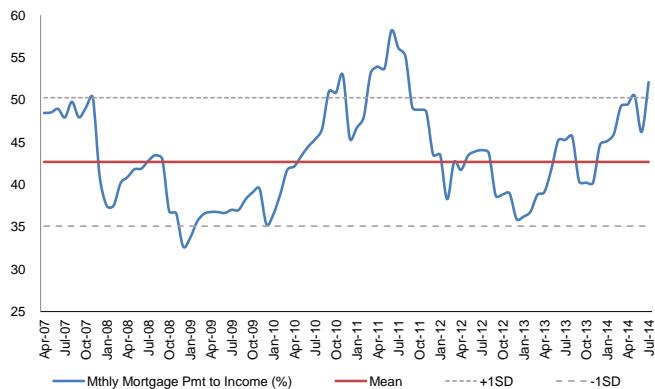


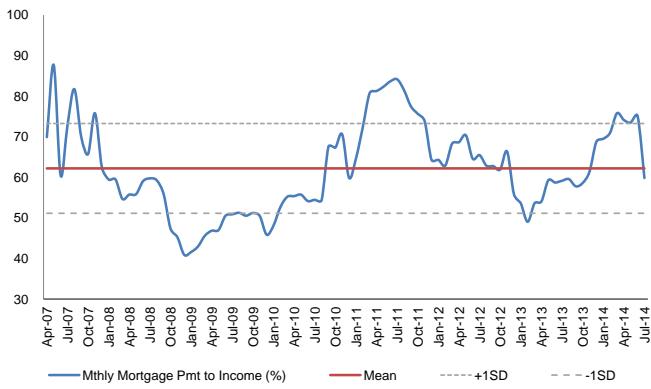


Figure 45: Historical affordability - Hefei



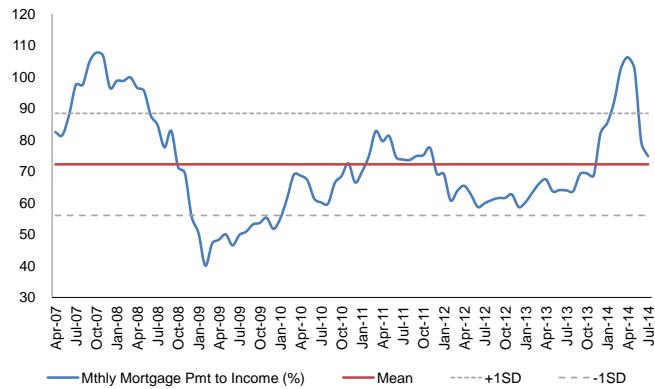
Source: NBS, Soufun, Deutsche Bank

Figure 46: Historical affordability - Fuzhou



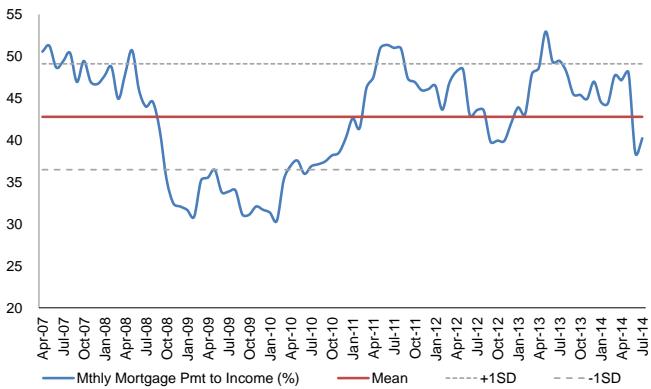
Source: NBS, Soufun, Deutsche Bank

Figure 47: Historical affordability - Xiamen



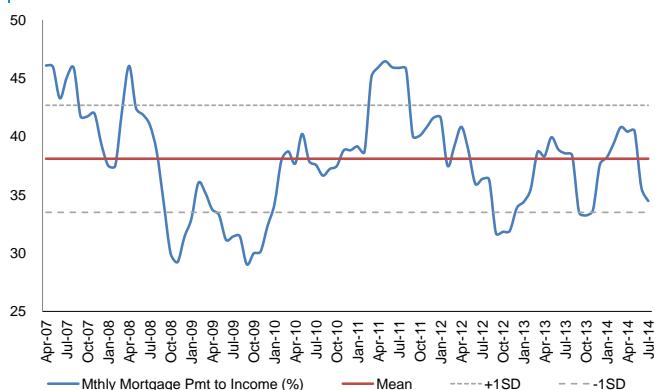
Source: NBS, Soufun, Deutsche Bank

Figure 48: Historical affordability - Nanchang



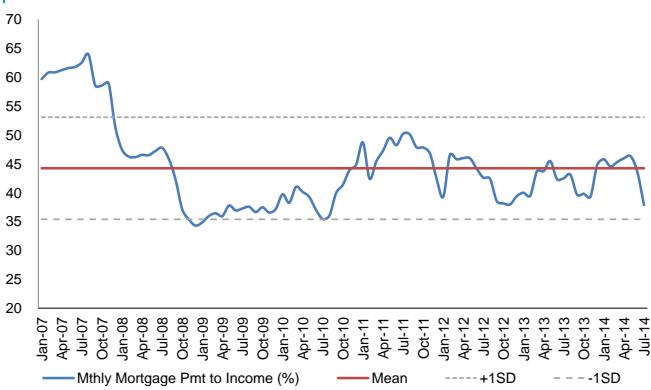
Source: NBS, Soufun, Deutsche Bank

Figure 49: Historical affordability - Jinan



Source: NBS, Soufun, Deutsche Bank

Figure 50: Historical affordability - Qingdao



Source: NBS, Soufun, Deutsche Bank



Figure 51: Historical affordability - Zhengzhou

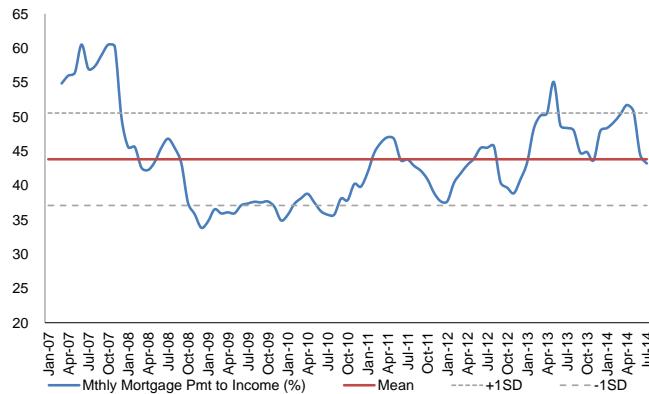


Figure 52: Historical affordability - Wuhan

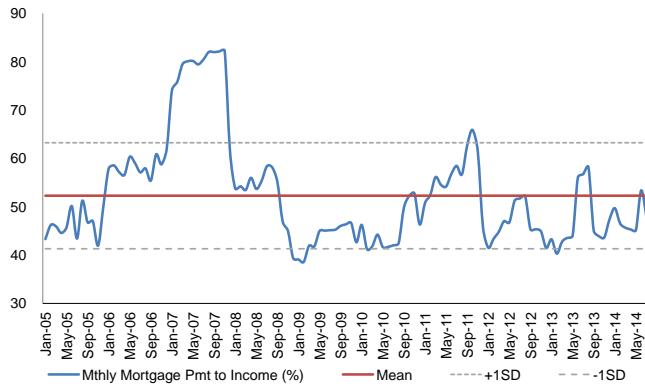


Figure 53: Historical affordability - Changsha

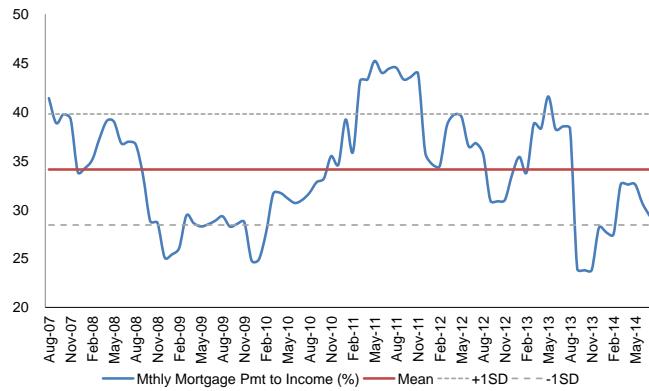


Figure 54: Historical affordability - Nanning

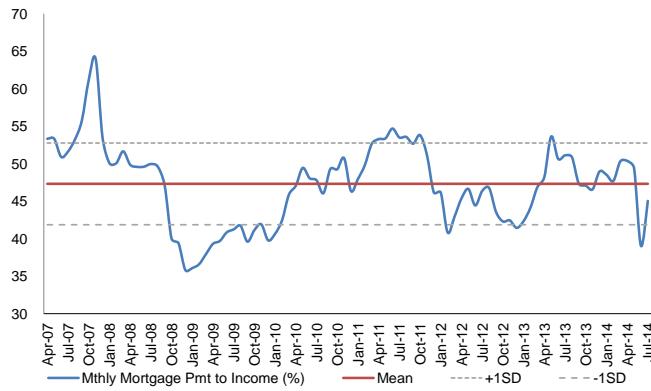


Figure 55: Historical affordability - Haikou

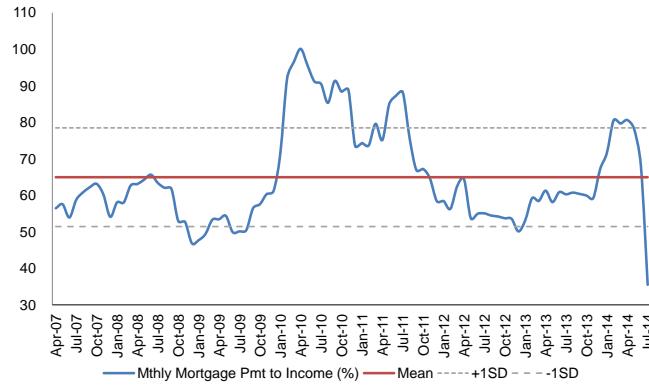


Figure 56: Historical affordability - Guiyang

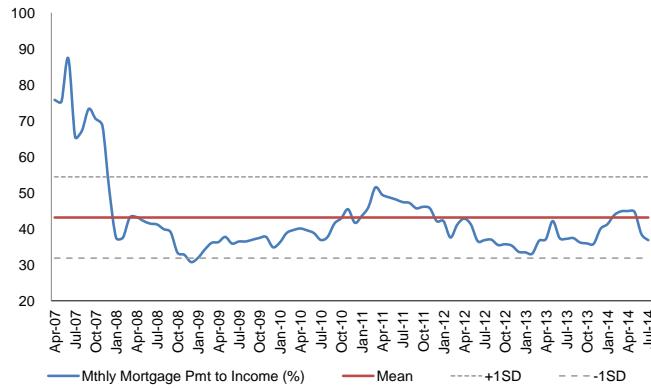




Figure 57: Historical affordability - Kunming

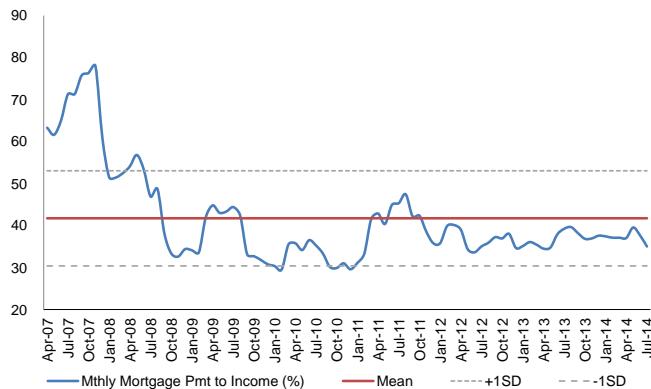


Figure 58: Historical affordability - Xi'an

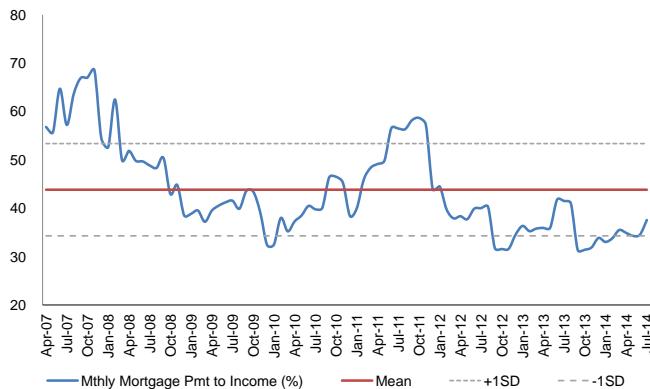


Figure 59: Historical affordability - Lanzhou

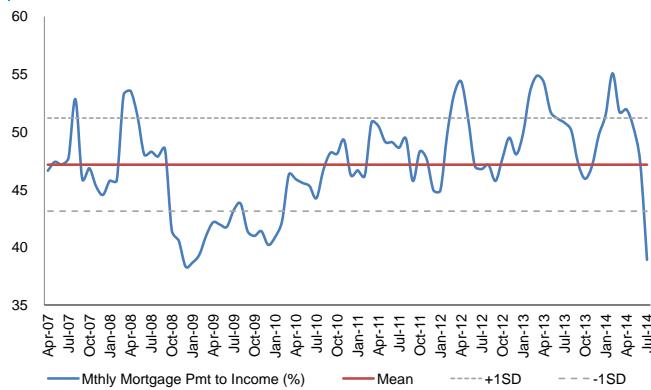


Figure 60: Historical affordability - Xining

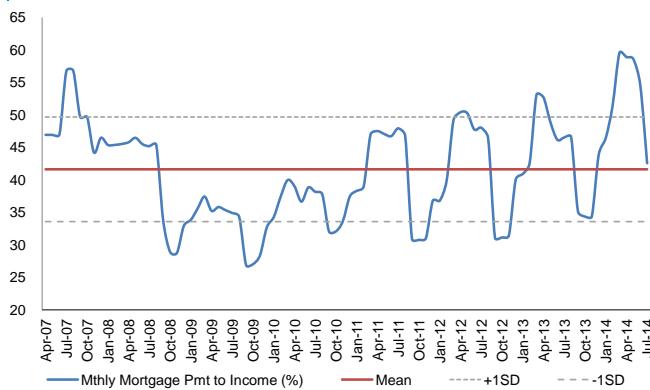


Figure 61: Historical affordability - Yinchuan

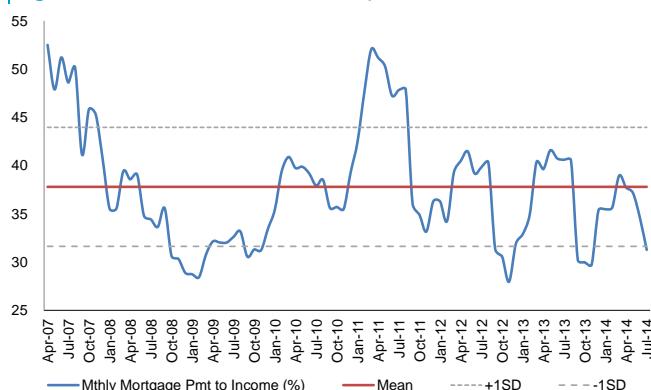


Figure 62: Historical affordability - Urumqi



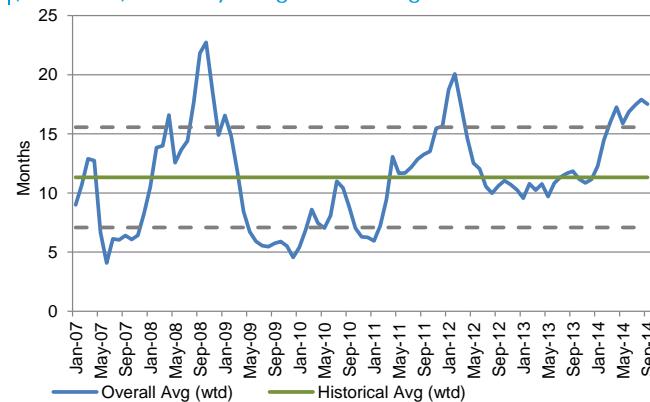


# Inventory situations should continue to improve

## Inventory period peaked out, set to fall further as market sentiment recovers

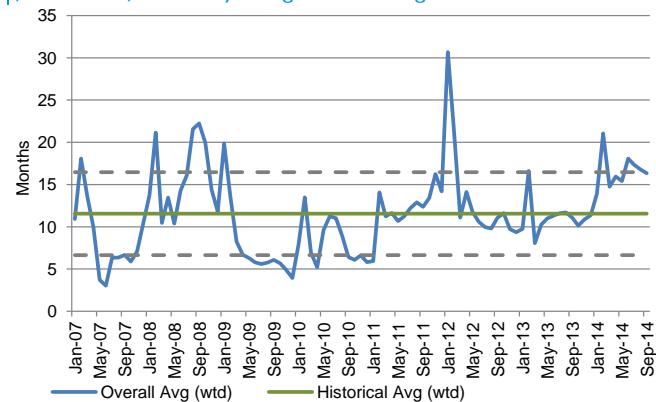
Analyzing latest statistics of 29 cities with inventory data, we found that overall commodity residential inventory period (which included properties that are still under construction but with pre-sale permits) has already peaked out, and has started to fall as sales started to recover in Sep. This is encouraging, especially as the latest PBOC easing has substantially boosted physical market sentiment, and once fully implemented, should result in further increases in sales in 4Q. Hence, we expect overall inventory period to continue to improve in next 6 months. And given significant declines in land sales and new starts in 2014, new supply should fall starting 2H15, and pricing power should return to developers.

Figure 63: China Property - Months to clear inventory (method1) – 29 city weighted average



Source: Soufun, Deutsche Bank  
 Note: Weighted average 1: Inventory period is calculated by: Month enc inventory / average monthly sales of last 3 months

Figure 64: China Property - Months to clear inventory (method 2) – 29 city weighted average



Source: Soufun, Deutsche Bank  
 Note: Weighted average 2: Inventory period is calculated by: Month enc inventory / latest monthly sales

## Weighted average inventory period fell to about 17 months

On our analysis, the overall inventory period, as calculated by taking available-for-sale properties (completed and under construction) divided by the latest monthly sales volume is 16.5 months for Sep 2014, down from a high of 21 months in early 2014. If we take available-for-sales properties divided by the average monthly sales volume of the last 3 months, the inventory period would be 17.5 months (from a high of 18 months in 2014).

Both measures highlight that current inventory situation is better than those during the previous market downturns in 2008 and 2011, and that overall inventory period has already peaked out during past 3 months and has started to fall. That said, current inventory period is still high relatively to historical averages (of 11.5 and 11.3 months respectively), hence more inventory clearance is needed, suggesting that developers still need to cut prices.



As another reference, current inventory situations are worst in Tianjin, Dalian, Changsha, Qingdao, Changchun, Yangzhou, Nanchong, Putian, Jiaozuo, Sanming, with inventory periods of not less than 20 months.

Figure 65: China Property – Inventory period analysis by city – include weighted average (method 1 - note)

City	Sellable GFA (ksqm)	Monthly GFA sold (ksqm)					Average Months to Clear Inventory									
		Jul-14	Aug-14	Sep-14	3M Avg	2008	2009	2010	2011	2012	2013	9M14	Sep14	> 2008 level?	> 2009 level?	> 2010 level?
Beijing	10,618	622	983	718	774	23.0	11.7	12.5	17.4	11.1	7.7	14.5	13.7	Yes	Yes	
Shanghai	12,504	1,384	1,231	1,283	1,299	9.5	5.0	7.6	12.9	13.5	6.2	8.8	9.6	Yes	Yes	
Shenzhen	4,603	227	277	294	266	20.0	8.3	10.2	9.9	9.3	8.4	13.9	17.3	Yes	Yes	
Guangzhou	9,424	539	543	537	540	NA	5.0	8.7	10.0	10.3	8.6	12.7	17.5	Yes	Yes	
Tianjin	23,374	535	667	671	624	NA	NA	NA	26.4	27.3	20.9	27.2	37.4			
Chongqing	27,828	1,888	1,588	2,019	1,831	13.0	6.9	5.3	9.7	10.6	10.0	13.0	15.2	Yes	Yes	Yes
Hangzhou	4,722	293	362	382	346	16.4	8.0	10.0	16.3	13.2	11.5	21.6	13.7	Yes	Yes	Yes
Nanjing	6,675	472	608	494	525	13.6	5.8	7.5	13.9	10.7	5.9	9.2	12.7	Yes	Yes	
Wuhan	28,654	1,264	1,400	1,736	1,467	27.2	18.8	14.5	21.4	21.8	18.2	20.9	9.5	Yes	Yes	
Chengdu	8,281	751	618	613	660	NA	NA	8.5	15.7	12.4	9.4	10.7	12.5			
Suzhou	8,663	689	767	698	718	NA	6.5	6.6	8.0	6.1	8.9	12.7	12.1	Yes	Yes	
Dalian	8,354	173	132	161	155	NA	NA	7.2	11.5	22.4	9.4	43.4	53.8			
Xiamen	3,120	226	226	193	215	NA	9.3	9.4	12.3	11.3	8.4	13.0	14.5	Yes	Yes	
Changsha	15,453	625	571	973	723	NA	NA	4.6	5.5	10.6	9.3	19.7	21.4			
Ningbo	6,624	333	516	419	423	NA	6.2	6.7	18.1	16.3	14.3	25.4	15.7	Yes	Yes	
Fuzhou	3,120	223	161	180	188	NA	6.0	8.6	12.6	15.2	12.8	21.6	16.6	Yes	Yes	
Qingdao	18,071	638	953	916	835	20.3	9.9	7.3	11.6	19.2	12.4	23.2	21.6	Yes	Yes	Yes
Nanchang	4,148	355	375	517	416	25.1	5.4	4.7	6.4	6.5	5.5	9.1	10.0	Yes	Yes	Yes
Changchun	16,403	660	696	675	677	NA	NA	NA	9.1	15.0	15.9	21.9	24.2			
Nantong	799	156	146	200	167	NA	4.7	8.6	9.8	16.7	17.3	8.6	4.8	Yes		
Yangzhou	3,130	112	75	82	90	NA	NA	5.1	12.0	15.8	11.8	28.9	34.9			Yes
Huizhou	3,064	205	213	214	211	NA	NA	6.1	6.5	8.9	7.9	11.2	14.5			Yes
Nanchong	5,006	171	205	221	199	NA	NA	NA	14.4	19.4	13.5	18.8	25.2			
Jiujiang	2,596	119	115	292	175	NA	NA	NA	NA	12.5	10.3	15.3	14.8			
Zhanjiang	545	59	65	59	61	NA	NA	NA	16.8	22.6	16.1	13.4	8.9			
Putian	2,761	90	83	83	85	NA	NA	NA	17.8	18.9	8.9	19.9	32.5			
Dongying	3,982	207	258	258	241	NA	NA	NA	NA	20.9	14.2	22.9	16.5			
Jiaozuo	1,281	28	27	36	30	NA	NA	NA	NA	16.1	14.4	32.1	42.5			
Sanming	526	9	13	22	15	NA	NA	NA	NA	10.5	8.7	27.5	36.3			
<b>Weighted Average – 1</b>						<b>15.9</b>	<b>8.1</b>	<b>7.8</b>	<b>11.8</b>	<b>13.2</b>	<b>10.8</b>	<b>16.2</b>	<b>17.5</b>			

Source: Soufun, Deutsche Bank

Note: Weighted average method 1: Inventory period is calculated by: Month enc inventory / average monthly sales of last 3 months

Weighted average method 2: Inventory period is calculated by: Month enc inventory / latest monthly sales



Figure 66: China Property – Inventory period analysis by city – include weighted average (method 2- note)

City	Sellable GFA (ksqm)	Monthly GFA sold (ksqm)					Average Months to Clear Inventory								
		Jul-14	Aug-14	Sep-14	3M Avg	2008	2009	2010	2011	2012	2013	9M14	Sep 14	> 2008 level?	> 2009 level?
Beijing	10,618	622	983	718	774	25.0	12.2	13.6	18.7	12.6	8.6	16.0	14.8	Yes	Yes
Shanghai	12,504	1,384	1,231	1,283	1,299	10.3	5.0	8.7	15.3	13.9	6.5	9.4	9.7	Yes	Yes
Shenzhen	4,603	227	277	294	266	21.3	9.0	12.7	10.7	9.4	9.2	14.4	15.7	Yes	Yes
Guangzhou	9,424	539	543	537	540	NA	5.9	9.1	10.7	9.8	9.1	13.3	17.5	Yes	Yes
Tianjin	23,374	535	667	671	624	NA	NA	NA	35.5	29.9	21.7	30.2	34.8		
Chongqing	27,828	1,888	1,588	2,019	1,831	12.8	6.8	5.7	10.0	10.8	10.4	13.3	13.8	Yes	Yes
Hangzhou	4,722	293	362	382	346	17.1	7.8	16.0	20.8	15.5	12.2	23.6	12.4	Yes	Yes
Nanjing	6,675	472	608	494	525	14.7	5.7	9.0	14.7	10.6	5.9	10.0	13.5	Yes	Yes
Wuhan	28,654	1,264	1,400	1,736	1,467	29.2	18.7	16.6	22.3	22.1	18.7	21.0	16.5	Yes	Yes
Chengdu	8,281	751	618	613	660	NA	NA	10.0	16.3	12.7	9.8	12.0	13.5		Yes
Suzhou	8,663	689	767	698	718	NA	6.4	8.4	8.1	6.6	9.2	13.0	12.4	Yes	Yes
Dalian	8,354	173	132	161	155	NA	NA	7.5	13.5	24.6	9.4	49.1	52.0		Yes
Xiamen	3,120	226	226	193	215	NA	8.4	10.9	14.3	10.9	16.3	13.4	16.1	Yes	Yes
Changsha	15,453	625	571	973	723	NA	NA	4.4	6.0	11.3	9.4	21.0	15.9		Yes
Ningbo	6,624	333	516	419	423	NA	6.1	9.1	20.8	16.0	15.0	28.3	15.8	Yes	Yes
Fuzhou	3,120	223	161	180	188	NA	5.8	10.2	14.1	14.6	14.3	21.1	17.3	Yes	Yes
Qingdao	18,071	638	953	916	835	17.9	9.6	7.8	12.6	21.2	13.5	24.1	19.7	Yes	Yes
Nanchang	4,148	355	375	517	416	22.7	5.4	5.3	6.9	6.1	5.9	9.5	8.0	Yes	Yes
Changchun	16,403	660	696	675	677	NA	NA	NA	10.0	15.7	16.4	22.4	24.3		
Nantong	799	156	146	200	167	NA	5.5	11.7	13.4	22.0	18.6	9.7	4.0	Yes	
Yangzhou	3,130	112	75	82	90	NA	NA	5.7	14.3	15.3	11.6	32.9	38.4		Yes
Huizhou	3,064	205	213	214	211	NA	NA	5.9	7.1	9.0	8.4	11.7	14.3		Yes
Nanchong	5,006	171	205	221	199	NA	NA	NA	15.4	19.0	13.7	20.0	22.6		
Jiujiang	2,596	119	115	292	175	NA	NA	NA	NA	12.5	10.2	15.5	8.9		
Zhanjiang	545	59	65	59	61	NA	NA	NA	19.6	22.9	17.0	13.8	9.2		
Putian	2,761	90	83	83	85	NA	NA	NA	19.7	19.9	9.0	22.8	33.4		
Dongying	3,982	207	258	258	241	NA	NA	NA	NA	18.8	15.0	24.9	15.4		
Jiaozuo	1,281	28	27	36	30	NA	NA	NA	NA	17.9	17.6	39.0	35.5		
Sanming	526	9	13	22	15	NA	NA	NA	NA	9.2	10.7	35.8	24.4		
<b>Weighted Average – 2</b>						<b>15.8</b>	<b>7.7</b>	<b>8.3</b>	<b>12.2</b>	<b>13.4</b>	<b>11.1</b>	<b>16.6</b>	<b>16.3</b>		

Source: Soufun, Deutsche Bank

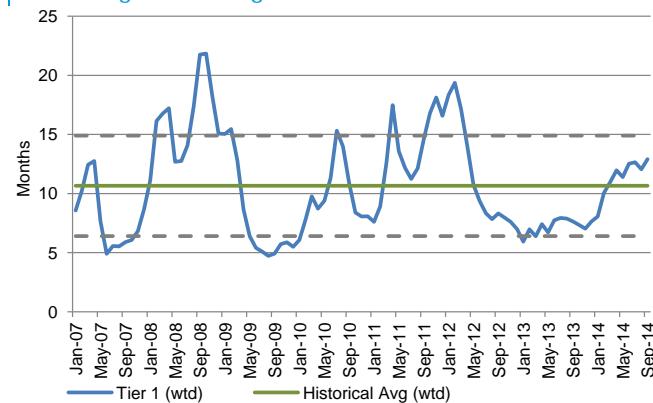
Note:

Weighted average method1: Inventory period is calculated by: Month enc inventory / average monthly sales of last 3 months

Weighted average method 2: Inventory period is calculated by: Month enc inventory / latest monthly sales

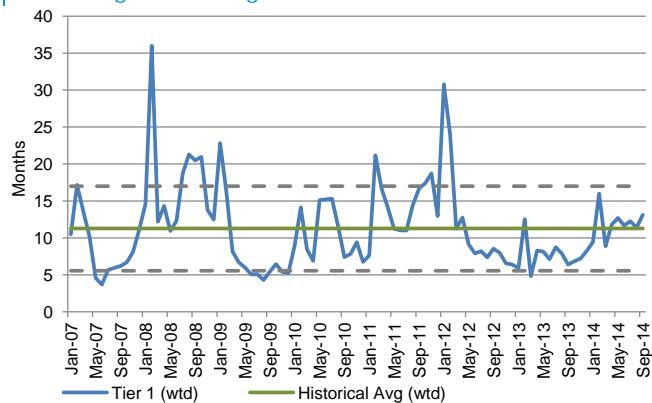


Figure 67: Months to clear inventory (method 1) – Tier-1 cities weighted average



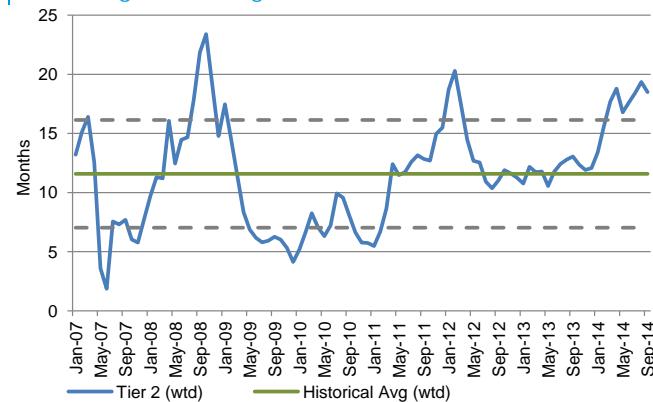
Source: Soufun, Deutsche Bank

Figure 68: Months to clear inventory (method 2) – Tier-1 cities weighted average



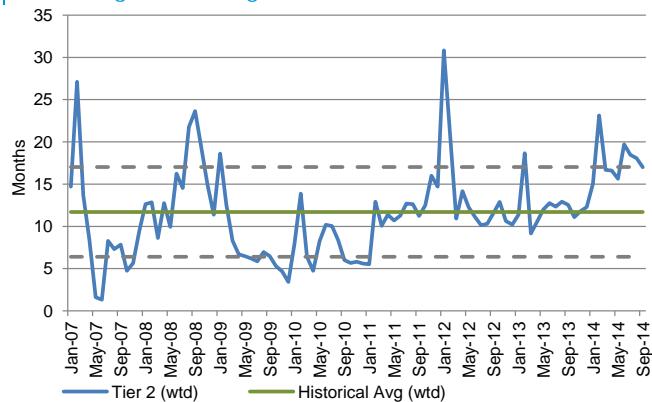
Source: Soufun, Deutsche Bank

Figure 69: Months to clear inventory (method 1) – Tier-2 cities weighted average



Source: Soufun, Deutsche Bank

Figure 70: Months to clear inventory (method 2) – Tier-2 cities weighted average



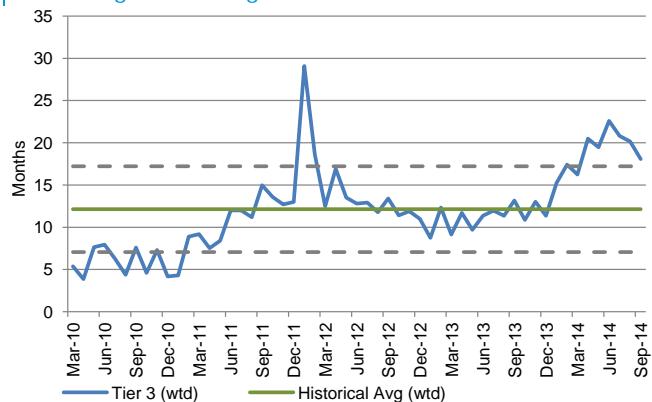
Source: Soufun, Deutsche Bank

Figure 71: Months to clear inventory (method 1) – Tier-3 cities weighted average



Source: Soufun, Deutsche Bank

Figure 72: Months to clear inventory (method 2) – Tier-3 cities weighted average



Source: Soufun, Deutsche Bank



Figure 73: Saleable GFA (supply) in major cities

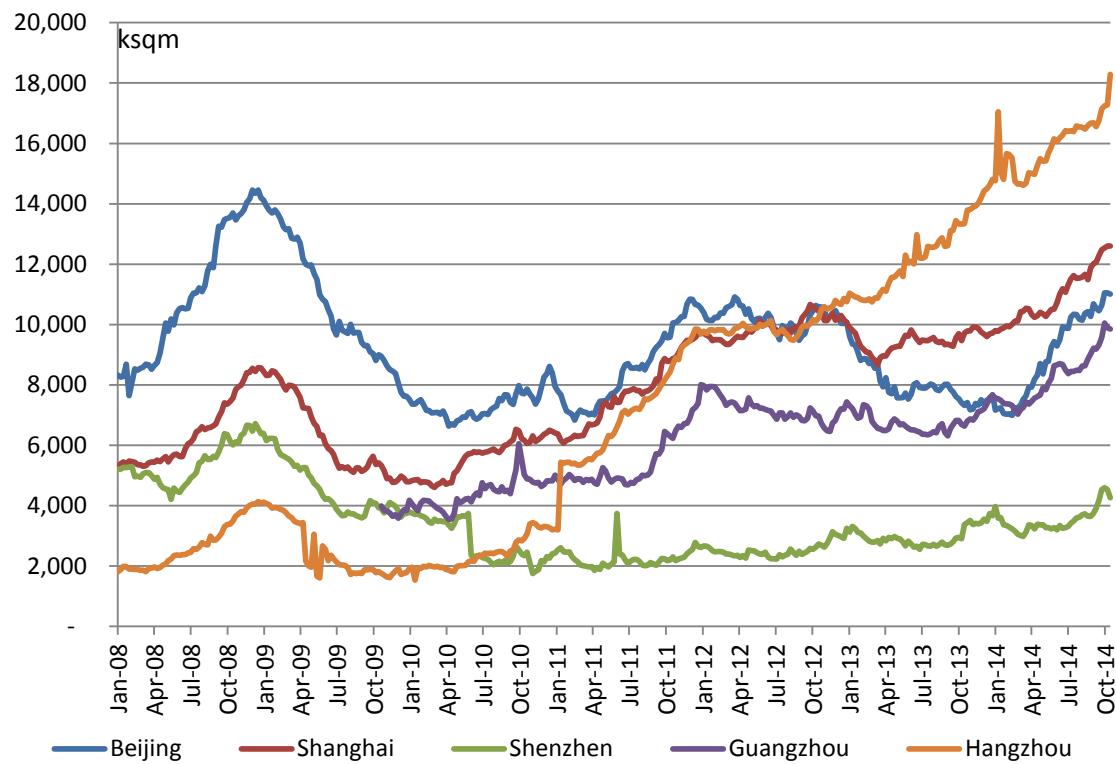
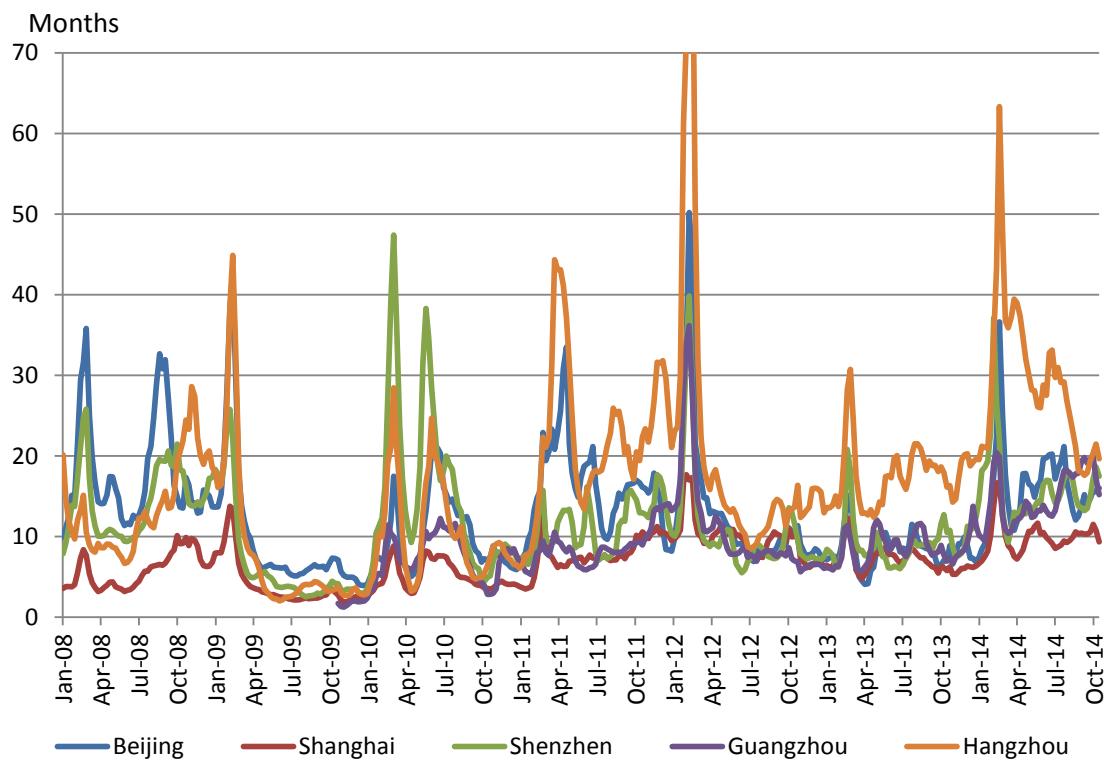




Figure 74: Supply/sales ratio in major cities



Source: Deutsche Bank, Soufun



# Falling land sales should lead to more favorable supply situations in 2015

Land sales volume declined sharply in 2Q14 and 3Q14; positive for supply outlook in 2015

Following the weak property market, the land market has also cooled down substantially in 2014. In 9M14, residential land sales volume has fallen by 26% YoY for the major 300 cities, 16% for the Tier-1 cities and 29% for the key Tier-2 cities. At the same time, residential new starts have fallen by 14.4% in 8M14. As land sales volume is a leading indicator of new starts 3-6 months ahead, which in turn is a leading indicator of new presale supply 6-9 months later, the sharp declines in land sales should lead to a drop in saleable resources in 2H15. Hence, depending on the speed of inventory clearance in next few months, a more favourable supply situation could take place as early as 2Q15.

Figure 75: China Property: Residential land sales –9M13 vs. 9M14

	Residential Land Sales (RMBbn)			Residential GFA Sold (msqm)			Residential Floor Price (RMB psm)			% of Price Sold over Launched (ppt)		
	9M13	9M14	YoY	9M13	9M14	YoY	9M13	9M14	YoY	9M13	9M14	YoY
Beijing	79.5	102.3	29%	8.1	6.9	-15%	9,766	14,738	51%	30%	34%	4%
Shanghai	73.7	76.6	4%	12.1	9.0	-25%	6,103	8,497	39%	46%	41%	-5%
Guangzhou	23.6	37.2	58%	4.8	5.3	11%	4,912	6,995	42%	29%	15%	-14%
Shenzhen	1.4	-	-	0.2	-	-	7,472	-	8%	0%	-8%	
Tianjin	42.4	51.1	20%	12.5	10.2	-18%	3,396	5,016	48%	16%	6%	-10%
Chongqing	90.5	61.6	-32%	65.4	39.4	-40%	1,383	1,563	13%	9%	5%	-3%
Chengdu	39.7	31.9	-20%	17.1	15.1	-12%	2,320	2,109	-9%	44%	16%	-28%
Hangzhou	82.9	42.9	-48%	13.8	7.5	-46%	6,007	5,745	-4%	25%	4%	-21%
Nanjing	54.2	29.6	-45%	10.1	8.3	-17%	5,365	3,555	-34%	28%	13%	-15%
Suzhou	54.9	32.8	-40%	16.0	11.2	-30%	3,419	2,918	-15%	31%	11%	-20%
Dalian	18.2	9.5	-48%	6.6	4.7	-28%	2,771	2,017	-27%	0%	5%	5%
Shenyang	26.1	11.8	-55%	16.9	5.1	-70%	1,543	2,288	48%	6%	2%	-4%
Qingdao	15.2	17.7	16%	14.4	14.6	2%	1,057	1,213	15%	8%	4%	-3%
Xian	11.7	19.0	62%	8.9	15.6	75%	1,312	1,214	-7%	8%	0%	-8%
Changsha	34.3	16.9	-51%	17.9	10.1	-43%	1,919	1,671	-13%	23%	8%	-15%
Wuhan	45.6	30.2	-34%	20.3	14.6	-28%	2,244	2,074	-8%	15%	7%	-8%
<b>300 Cities</b>	<b>1,359</b>	<b>1,106</b>	<b>-19%</b>	<b>797</b>	<b>593</b>	<b>-26%</b>	<b>1,706</b>	<b>1,865</b>	<b>9%</b>	<b>20%</b>	<b>13%</b>	<b>-7%</b>
<b>Tier-1 Cities</b>	<b>178</b>	<b>216</b>	<b>21%</b>	<b>25</b>	<b>21</b>	<b>-16%</b>	<b>7,069</b>	<b>10,157</b>	<b>44%</b>	<b>29%</b>	<b>23%</b>	<b>-6%</b>
<b>Key Tier-2 Cities</b>	<b>516</b>	<b>355</b>	<b>-31%</b>	<b>220</b>	<b>157</b>	<b>-29%</b>	<b>2,344</b>	<b>2,268</b>	<b>-3%</b>	<b>18%</b>	<b>7%</b>	<b>-11%</b>

Source: Soufun, Deutsche Bank

## 9M14 residential land sales volume down 26% YoY, value down 19% YoY

Looking at the quarterly data, we found that the pace of declines in residential land sales volume has accelerated in 3Q14. In 3Q14, residential land sales volume fell 49% YoY for the 300 major cities, 51% for Tier-1 cities, and 52% for key Tier-2 cities, while residential land sales value fell 53% for the 300 major cities, 41% for Tier-1 cities and 65% for key Tier-2 cities. These rates of YoY



declines were much more significant than the YoY declines recorded in 1Q14 and 2Q14. In our view, these highlighted that developers have quickly revised their operation plan after the weak 1H14. With this declines in land sales, we expect to see further declines in new construction starts. As a reference, some developers with high net gearing and high inventory have cut construction (like Shimao, which announced cut its total GFA under construction by 15% when reporting 1H14 results). The reduction in land sales and new starts should help improve overall property market supply situations, but the developers which cut construction scale should face slower growth in 2015-17

Figure 76: China Property: Residential land sales – 3Q13 vs. 3Q14

	Land Sales (RMBbn)			GFA Sold (msqm)			Floor Price (RMB psm)			% of Price Sold over Launch Price (ppt)		
	3Q13	3Q14	YoY	3Q13	3Q14	YoY	3Q13	3Q14	YoY	3Q13	3Q14	YoY
Beijing	37.7	27.0	-29%	3.4	1.3	-62%	11,006	20,776	89%	39%	41%	2%
Shanghai	47.3	28.8	-39%	6.4	3.6	-44%	7,413	8,097	9%	72%	30%	-43%
Guangzhou	11.2	1.4	-88%	2.1	1.0	-51%	5,221	1,317	-75%	13%	0%	-13%
Shenzhen	-	-	-	-	-	-	-	-	-	-	0%	-
Tianjin	28.6	15.1	-47%	6.6	2.3	-65%	4,343	6,480	49%	17%	0%	-17%
Chongqing	37.8	13.8	-64%	26.0	9.4	-64%	1,454	1,474	1%	8%	2%	-6%
Chengdu	18.3	9.9	-46%	5.1	5.3	4%	3,594	1,886	-48%	57%	5%	-52%
Hangzhou	36.5	7.1	-81%	5.1	1.7	-66%	7,208	4,088	-43%	23%	4%	-19%
Nanjing	26.3	-	-	4.6	0.5	-90%	5,671	-	-	24%	21%	-3%
Suzhou	27.3	6.6	-76%	8.2	2.6	-68%	3,331	2,543	-24%	27%	3%	-24%
Dalian	11.0	2.0	-81%	2.7	1.2	-55%	4,023	1,654	-59%	0%	0%	0%
Shenyang	10.5	0.4	-96%	7.8	0.4	-95%	1,345	1,037	-23%	4%	3%	-2%
Qingdao	6.1	6.0	0%	7.2	6.2	-14%	844	982	16%	20%	0%	-20%
Xian	3.3	6.3	95%	2.1	4.8	132%	1,570	1,320	-16%	24%	0%	-24%
Changsha	14.4	3.6	-75%	7.8	3.0	-61%	1,852	1,180	-36%	19%	0%	-18%
Wuhan	20.9	12.4	-41%	5.5	5.4	0%	3,826	2,276	-41%	33%	4%	-29%
<b>300 Cities</b>	<b>594</b>	<b>279</b>	<b>-53%</b>	<b>295</b>	<b>150</b>	<b>-49%</b>	<b>2,012</b>	<b>1,857</b>	<b>-8%</b>	<b>24%</b>	<b>13%</b>	<b>-11%</b>
<b>Tier-1 Cities</b>	<b>96</b>	<b>57</b>	<b>-41%</b>	<b>12</b>	<b>6</b>	<b>-51%</b>	<b>8,050</b>	<b>9,682</b>	<b>20%</b>	<b>42%</b>	<b>18%</b>	<b>-24%</b>
<b>Key Tier-2 Cities</b>	<b>241</b>	<b>83</b>	<b>-65%</b>	<b>89</b>	<b>43</b>	<b>-52%</b>	<b>2,720</b>	<b>1,946</b>	<b>-28%</b>	<b>21%</b>	<b>3%</b>	<b>-18%</b>

Source: Soufun, Deutsche Bank

### Land prices in Tier-1 cities have continued to go up, margin worries continue

In 9M14, average transacted land price was up 9% YoY for 300 major cities, up 44% for Tier-1 cities, but down 3% YoY for key Tier-2 cities. Just for 3Q14, average transacted residential land price was down 8% YoY, up 20% for Tier 1 cities, and down 28% for key Tier-2 cities, highlighting that nationwide (with the exception of Tier-1 cities), land prices have started to soften more meaningfully in 3Q14, which are good news for developers with strong financial positions (like COLI, China Merchants Property). However, the continued increase in land prices in Tier-1 cities despite falling home prices should bring in more margin pressure and obstacles for earnings growth for developers focusing on asset turnover in Tier-1 cities (like Sunac).



Figure 77: China Property: Residential land sales – 1Q13 vs. 1Q14

	Land Sales (RMBbn)			GFA Sold (msqm)			Floor Price (RMB psm)			% of Price Sold over Launch Price (ppt)		
	1Q13	1Q14	YoY	1Q13	1Q14	YoY	1Q13	1Q14	YoY	1Q13	1Q14	YoY
Beijing	36.3	57.8	60%	4.2	4.4	4%	8,576	13,194	54%	38%	34%	-5%
Shanghai	9.3	38.6	317%	1.6	4.4	177%	5,862	8,817	50%	31%	60%	29%
Guangzhou	1.5	23.1	1410%	0.7	2.3	254%	2,339	9,967	326%	34%	32%	-2%
Shenzhen	1.4	-	-	0.2	-	-	7,472	-	76%	0%	-76%	
Tianjin	7.7	8.7	13%	2.7	3.4	27%	2,840	2,527	-11%	15%	6%	-9%
Chongqing	19.1	9.1	-53%	13.8	10.3	-26%	1,382	881	-36%	12%	8%	-4%
Chengdu	10.8	9.5	-11%	6.3	6.0	-5%	1,712	1,603	-6%	33%	8%	-25%
Hangzhou	20.9	33.3	59%	4.5	4.9	8%	4,634	6,855	48%	24%	8%	-16%
Nanjing	12.7	11.6	-9%	2.3	3.8	66%	5,604	3,063	-45%	27%	7%	-20%
Suzhou	14.1	12.7	-10%	4.5	5.0	10%	3,118	2,556	-18%	25%	21%	-4%
Dalian	4.1	5.1	23%	2.3	2.3	0%	1,822	2,248	23%	1%	1%	0%
Shenyang	7.6	6.5	-15%	5.0	2.4	-52%	1,541	2,698	75%	8%	1%	-7%
Qingdao	3.7	6.8	84%	2.2	4.6	111%	1,670	1,456	-13%	0%	7%	7%
Xian	5.5	5.6	2%	5.0	5.0	-1%	1,100	1,134	3%	0%	1%	1%
Changsha	6.4	10.5	66%	4.6	4.4	-5%	1,367	2,383	74%	13%	10%	-2%
Wuhan	15.9	11.6	-27%	10.0	5.8	-42%	1,584	1,983	25%	0%	16%	15%
<b>300 Cities</b>	<b>388</b>	<b>484</b>	<b>25%</b>	<b>248</b>	<b>250</b>	<b>1%</b>	<b>1,564</b>	<b>1,939</b>	<b>24%</b>	<b>17%</b>	<b>15%</b>	<b>-2%</b>
<b>Tier-1 Cities</b>	<b>48</b>	<b>120</b>	<b>147%</b>	<b>7</b>	<b>11</b>	<b>67%</b>	<b>7,285</b>	<b>10,788</b>	<b>48%</b>	<b>45%</b>	<b>31%</b>	<b>-14%</b>
<b>Key Tier-2 Cities</b>	<b>129</b>	<b>131</b>	<b>2%</b>	<b>63</b>	<b>58</b>	<b>-9%</b>	<b>2,032</b>	<b>2,264</b>	<b>11%</b>	<b>13%</b>	<b>8%</b>	<b>-5%</b>

Source: Soufun, Deutsche Bank

Figure 78: China Property: Residential land sales – 2Q13 vs. 2Q14

	Land Sales (RMBbn)			GFA Sold (msqm)			Floor Price (RMB psm)			% of Price Sold over Launch Price (ppt)		
	2Q13	2Q14	YoY	2Q13	2Q14	YoY	2Q13	2Q14	YoY	2Q13	2Q14	YoY
Beijing	5.5	17.5	216%	0.5	1.3	159%	11,371	13,891	22%	49%	51%	2%
Shanghai	17.1	9.2	-46%	4.1	1.1	-74%	4,163	8,514	105%	35%	34%	-2%
Guangzhou	10.9	12.7	17%	2.0	2.0	-3%	5,423	6,508	20%	40%	3%	-37%
Shenzhen	-	-	-	-	-	-	-	-	-	-	0%	
Tianjin	6.1	27.2	350%	3.2	4.4	39%	1,905	6,187	225%	15%	12%	-3%
Chongqing	33.6	38.7	15%	25.6	19.7	-23%	1,312	1,962	50%	6%	6%	0%
Chengdu	10.6	12.4	17%	5.7	3.9	-32%	1,858	3,187	72%	42%	34%	-8%
Hangzhou	25.5	2.6	-90%	4.2	0.9	-79%	6,031	2,915	-52%	28%	1%	-28%
Nanjing	15.1	18.1	20%	3.2	4.1	28%	4,748	4,427	-7%	33%	14%	-19%
Suzhou	13.4	13.4	0%	3.3	3.7	10%	4,047	3,678	-9%	41%	9%	-32%
Dalian	3.1	2.4	-21%	1.6	1.2	-21%	1,948	1,958	0%	0%	15%	15%
Shenyang	7.9	4.9	-38%	4.1	2.3	-43%	1,921	2,080	8%	5%	1%	-4%
Qingdao	5.5	4.9	-10%	5.0	3.8	-24%	1,094	1,289	18%	3%	6%	3%
Xian	2.9	7.0	138%	1.8	5.9	218%	1,597	1,196	-25%	0%	0%	0%
Changsha	13.6	2.8	-79%	5.5	2.7	-51%	2,483	1,051	-58%	36%	12%	-24%
Wuhan	8.8	6.2	-29%	4.8	3.3	-32%	1,825	1,900	4%	11%	0%	-11%
<b>300 Cities</b>	<b>377</b>	<b>344</b>	<b>-9%</b>	<b>253</b>	<b>194</b>	<b>-24%</b>	<b>1,487</b>	<b>1,775</b>	<b>19%</b>	<b>19%</b>	<b>11%</b>	<b>-8%</b>
<b>Tier-1 Cities</b>	<b>34</b>	<b>39</b>	<b>17%</b>	<b>7</b>	<b>4</b>	<b>-35%</b>	<b>5,077</b>	<b>9,179</b>	<b>81%</b>	<b>41%</b>	<b>22%</b>	<b>-20%</b>
<b>Key Tier-2 Cities</b>	<b>146</b>	<b>141</b>	<b>-4%</b>	<b>68</b>	<b>56</b>	<b>-18%</b>	<b>2,146</b>	<b>2,518</b>	<b>17%</b>	<b>18%</b>	<b>9%</b>	<b>-9%</b>

Source: Soufun, Deutsche Bank



Figure 79: China Property: Commercial land sales – 9M13 vs. 9M14

	Commercial Land Sales (RMBbn)			Commercial GFA Sold (msqm)			Commercial Floor Price (RMB psm)			% of Price Sold over Launched (ppt)		
	9M13	9M14	YoY	9M13	9M14	YoY	9M13	9M14	YoY	9M13	9M14	YoY
Beijing	32.6	34.6	6%	3.6	5.3	47%	9,147	6,570	-28%	48%	43%	-5%
Shanghai	76.3	22.1	-71%	5.1	2.6	-49%	15,106	8,639	-43%	23%	6%	-17%
Guangzhou	33.8	7.2	-79%	6.5	1.3	-81%	5,209	5,743	10%	24%	11%	-14%
Shenzhen	23.4	43.4	86%	1.3	3.0	132%	18,146	14,533	-20%	13%	23%	11%
Tianjin	6.5	7.6	17%	4.6	3.3	-30%	1,402	2,345	67%	3%	4%	1%
Chongqing	9.6	13.2	36%	8.1	8.7	8%	1,192	1,507	26%	3%	5%	2%
Chengdu	4.1	5.1	26%	4.7	4.4	-6%	867	1,167	34%	21%	19%	-2%
Hangzhou	26.2	25.8	-1%	7.2	5.4	-25%	3,629	4,749	31%	4%	0%	-4%
Nanjing	6.6	5.0	-24%	2.2	2.1	-8%	2,963	2,456	-17%	24%	4%	-20%
Suzhou	12.2	7.9	-36%	9.7	4.6	-53%	1,265	1,719	36%	3%	5%	2%
Dalian	3.8	1.8	-51%	2.3	1.8	-18%	1,666	1,002	-40%	0%	3%	3%
Shenyang	2.7	2.0	-25%	1.7	1.4	-17%	1,599	1,433	-10%	3%	0%	-2%
Qingdao	4.6	3.7	-19%	5.1	3.1	-39%	899	1,183	32%	0%	3%	2%
Xian	6.5	7.1	10%	7.0	5.8	-17%	928	1,223	32%	0%	1%	1%
Changsha	6.1	4.8	-21%	3.3	3.7	11%	1,845	1,321	-28%	21%	1%	-20%
Wuhan	7.5	2.5	-67%	3.4	1.5	-56%	2,196	1,639	-25%	8%	13%	5%
<b>300 Cities</b>	<b>501</b>	<b>396</b>	<b>-21%</b>	<b>339</b>	<b>235</b>	<b>-31%</b>	<b>1,478</b>	<b>1,689</b>	<b>14%</b>	<b>14%</b>	<b>11%</b>	<b>-3%</b>
<b>Tier-1 Cities</b>	<b>166</b>	<b>107</b>	<b>-35%</b>	<b>16</b>	<b>12</b>	<b>-26%</b>	<b>10,132</b>	<b>8,892</b>	<b>-12%</b>	<b>27%</b>	<b>21%</b>	<b>-6%</b>
<b>Key Tier-2 Cities</b>	<b>96</b>	<b>87</b>	<b>-10%</b>	<b>59</b>	<b>46</b>	<b>-23%</b>	<b>1,626</b>	<b>1,891</b>	<b>16%</b>	<b>7%</b>	<b>5%</b>	<b>-3%</b>

Source: Soufun, Deutsche Bank

Figure 80: China Property: Commercial land sales – 1Q13 vs. 1Q14

	Commercial Land Sales (RMBbn)			Commercial GFA Sold (msqm)			Commercial Floor Price (RMB psm)			% of Price Sold over Launched (ppt)		
	1Q13	1Q14	YoY	1Q13	1Q14	YoY	1Q13	1Q14	YoY	1Q13	1Q14	YoY
Beijing	10.9	17.0	57%	1.2	1.9	54%	8,739	8,895	2%	0%	53%	53%
Shanghai	11.0	11.9	8%	1.3	1.5	18%	8,446	7,716	-9%	28%	7%	-20%
Guangzhou	14.9	2.9	-80%	3.5	0.5	-85%	4,252	5,516	30%	7%	5%	-2%
Shenzhen	0.1	22.0	18903%	0.0	1.1	7358%	7,691	19,596	155%	0%	30%	30%
Tianjin	1.9	4.1	113%	0.9	1.4	50%	2,054	2,920	42%	3%	0%	-3%
Chongqing	2.6	3.9	50%	1.6	2.6	70%	1,684	1,484	-12%	1%	12%	11%
Chengdu	1.4	1.5	7%	1.6	1.0	-36%	877	1,457	66%	8%	25%	17%
Hangzhou	8.9	16.2	82%	2.9	2.7	-5%	3,101	5,934	91%	4%	0%	-4%
Nanjing	3.5	3.0	-16%	1.2	0.9	-23%	2,984	3,251	9%	53%	10%	-43%
Suzhou	4.3	2.4	-43%	3.2	1.3	-59%	1,326	1,844	39%	3%	10%	6%
Dalian	0.7	0.6	-15%	0.4	0.3	-23%	1,694	1,868	10%	0%	0%	0%
Shenyang	1.5	0.7	-57%	0.9	0.7	-22%	1,745	963	-45%	7%	0%	-7%
Qingdao	0.6	1.7	175%	0.7	1.1	61%	906	1,553	71%	2%	8%	6%
Xian	3.2	1.7	-46%	3.0	1.3	-56%	1,062	1,297	22%	0%	0%	0%
Changsha	0.9	1.4	53%	0.7	1.0	48%	1,379	1,424	3%	21%	0%	-20%
Wuhan	4.8	1.1	-78%	1.5	0.5	-67%	3,252	2,183	-33%	3%	46%	43%
<b>300 Cities</b>	<b>154</b>	<b>160</b>	<b>4%</b>	<b>106</b>	<b>85</b>	<b>-20%</b>	<b>1,455</b>	<b>1,882</b>	<b>29%</b>	<b>11%</b>	<b>12%</b>	<b>1%</b>
<b>Tier-1 Cities</b>	<b>37</b>	<b>54</b>	<b>46%</b>	<b>6</b>	<b>5</b>	<b>-16%</b>	<b>6,083</b>	<b>10,543</b>	<b>73%</b>	<b>9%</b>	<b>24%</b>	<b>15%</b>
<b>Key Tier-2 Cities</b>	<b>34</b>	<b>38</b>	<b>11%</b>	<b>19</b>	<b>15</b>	<b>-19%</b>	<b>1,859</b>	<b>2,560</b>	<b>38%</b>	<b>9%</b>	<b>9%</b>	<b>1%</b>

Source: Soufun, Deutsche Bank



Figure 81: China Property: Commercial land sales – 2Q13 vs. 2Q14

	Commercial Land Sales (RMBbn)			Commercial GFA Sold (msqm)			Commercial Floor Price (RMB psm)			% of Price Sold over Launched (ppt)		
	2Q13	2Q14	YoY	2Q13	2Q14	YoY	2Q13	2Q14	YoY	2Q13	2Q14	YoY
Beijing	11.8	17.5	49%	1.1	1.6	41%	10,245	10,814	6%	111%	38%	-73%
Shanghai	34.6	4.3	-88%	2.5	0.5	-82%	13,823	9,213	-33%	20%	7%	-13%
Guangzhou	8.3	0.9	-89%	1.5	0.3	-81%	5,445	3,157	-42%	52%	5%	-47%
Shenzhen	-	17.6	-	-	1.7	-		10,571	-	0%	35%	35%
Tianjin	3.0	2.3	-24%	3.0	1.3	-55%	1,009	1,708	69%	0%	11%	11%
Chongqing	1.4	6.8	394%	1.5	3.0	99%	909	2,251	148%	0%	0%	0%
Chengdu	0.7	2.4	249%	1.2	1.8	47%	560	1,326	137%	6%	19%	12%
Hangzhou	8.8	5.5	-37%	2.3	1.9	-19%	3,867	2,982	-23%	7%	1%	-6%
Nanjing	1.8	1.5	-16%	0.6	1.0	53%	2,790	1,539	-45%	13%	0%	-13%
Suzhou	3.7	2.8	-22%	2.9	1.6	-44%	1,266	1,760	39%	2%	4%	2%
Dalian	0.6	0.8	29%	0.4	0.7	102%	1,636	1,041	-36%	0%	0%	0%
Shenyang	0.7	0.8	11%	0.4	0.4	5%	2,037	2,162	6%	0%	1%	0%
Qingdao	1.0	0.7	-35%	1.6	1.0	-39%	639	677	6%	-2%	0%	2%
Xian	1.1	2.7	135%	1.3	1.8	35%	850	1,483	74%	0%	2%	2%
Changsha	0.8	0.8	0%	0.5	0.7	31%	1,591	1,218	-23%	6%	1%	-5%
Wuhan	1.4	0.6	-58%	1.1	0.3	-75%	1,299	2,150	66%	0%	0%	0%
<b>300 Cities</b>	<b>147</b>	<b>134</b>	<b>-9%</b>	<b>104</b>	<b>88</b>	<b>-15%</b>	<b>1,418</b>	<b>1,526</b>	<b>8%</b>	<b>15%</b>	<b>16%</b>	<b>1%</b>
<b>Tier-1 Cities</b>	<b>55</b>	<b>40</b>	<b>-26%</b>	<b>5</b>	<b>4</b>	<b>-22%</b>	<b>10,560</b>	<b>9,973</b>	<b>-6%</b>	<b>46%</b>	<b>21%</b>	<b>-25%</b>
<b>Key Tier-2 Cities</b>	<b>25</b>	<b>28</b>	<b>10%</b>	<b>17</b>	<b>15</b>	<b>-8%</b>	<b>1,495</b>	<b>1,793</b>	<b>20%</b>	<b>3%</b>	<b>3%</b>	<b>0%</b>

Source: Soufun, Deutsche Bank

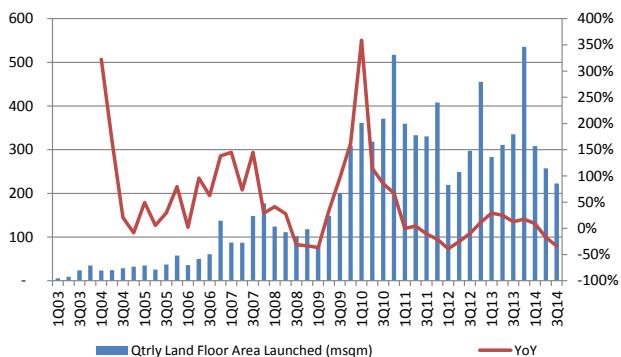
Figure 82: China Property: Commercial land sales – 3Q13 vs. 3Q14

	Commercial Land Sales (RMBbn)			Commercial GFA Sold (msqm)			Commercial Floor Price (RMB psm)			% of Price Sold over Launched (ppt)		
	3Q13	3Q14	YoY	3Q13	3Q14	YoY	3Q13	3Q14	YoY	3Q13	3Q14	YoY
Beijing	10.0	-	-	1.2	1.7	47%	8,506	-	-	32%	39%	7%
Shanghai	30.6	5.9	-81%	1.2	0.6	-55%	24,721	10,734	-57%	20%	3%	-17%
Guangzhou	10.6	3.4	-68%	1.5	0.4	-70%	7,264	7,752	7%	23%	25%	1%
Shenzhen	23.3	3.8	-84%	1.3	0.2	-84%	18,270	18,950	4%	38%	6%	-32%
Tianjin	1.6	1.3	-19%	0.8	0.5	-28%	2,139	2,428	13%	7%	0%	-6%
Chongqing	5.7	2.5	-56%	5.0	3.1	-39%	1,125	800	-29%	9%	2%	-7%
Chengdu	1.9	1.2	-38%	1.8	1.5	-16%	1,065	784	-26%	47%	13%	-34%
Hangzhou	8.5	4.1	-51%	2.1	0.9	-59%	4,095	4,806	17%	3%	0%	-2%
Nanjing	1.3	0.6	-56%	0.4	0.2	-62%	3,170	3,601	14%	5%	0%	-5%
Suzhou	4.3	2.6	-40%	3.6	1.6	-54%	1,210	1,579	30%	2%	0%	-2%
Dalian	2.4	0.5	-81%	1.5	0.8	-46%	1,665	594	-64%	0%	10%	10%
Shenyang	0.4	0.5	23%	0.5	0.4	-23%	967	1,536	59%	0%	0%	0%
Qingdao	3.0	1.3	-55%	2.8	1.1	-63%	1,041	1,258	21%	0%	0%	0%
Xian	2.2	2.7	26%	2.6	2.7	1%	816	1,011	24%	0%	0%	0%
Changsha	4.4	2.6	-40%	2.1	2.0	-6%	2,048	1,306	-36%	35%	2%	-33%
Wuhan	1.3	0.8	-35%	0.9	0.8	-11%	1,513	1,104	-27%	20%	4%	-16%
<b>300 Cities</b>	<b>200</b>	<b>103</b>	<b>-49%</b>	<b>130</b>	<b>62</b>	<b>-52%</b>	<b>1,545</b>	<b>1,654</b>	<b>7%</b>	<b>15%</b>	<b>6%</b>	<b>-10%</b>
<b>Tier-1 Cities</b>	<b>75</b>	<b>13</b>	<b>-82%</b>	<b>5</b>	<b>3</b>	<b>-43%</b>	<b>14,477</b>	<b>4,503</b>	<b>-69%</b>	<b>28%</b>	<b>18%</b>	<b>-10%</b>
<b>Key Tier-2 Cities</b>	<b>37</b>	<b>21</b>	<b>-44%</b>	<b>24</b>	<b>15</b>	<b>-36%</b>	<b>1,538</b>	<b>1,344</b>	<b>-13%</b>	<b>11%</b>	<b>3%</b>	<b>-8%</b>

Source: Soufun, Deutsche Bank

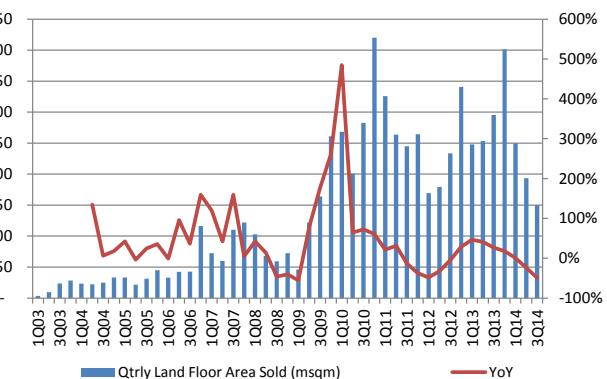


Figure 83: Quarterly residential land floor area launched



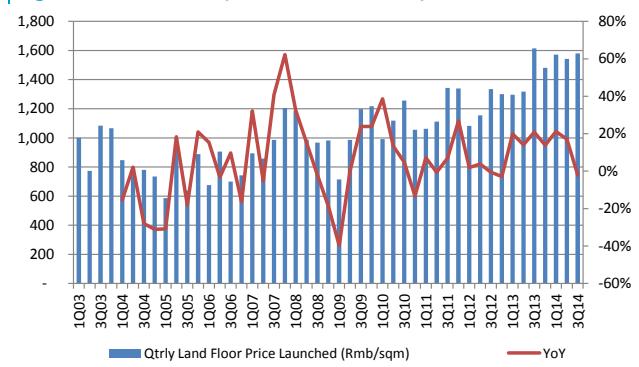
Source: Soufun, Deutsche Bank

Figure 84: Quarterly residential land floor area sold



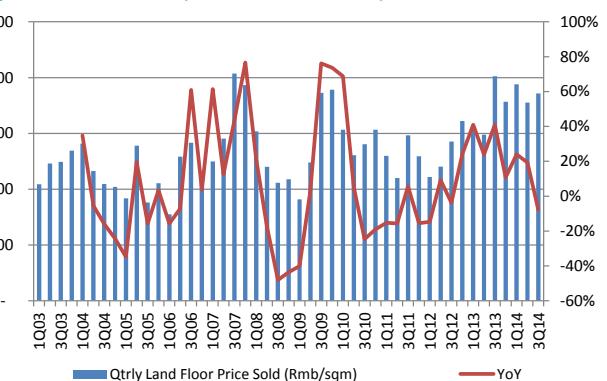
Source: Soufun, Deutsche Bank

Figure 85: Quarterly residential land price launched



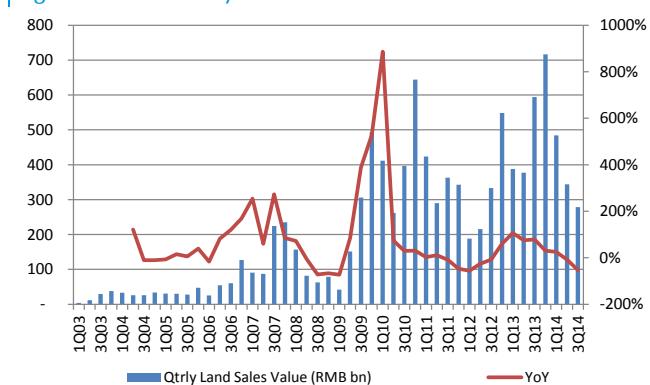
Source: Soufun, Deutsche Bank

Figure 86: Quarterly residential land price sold



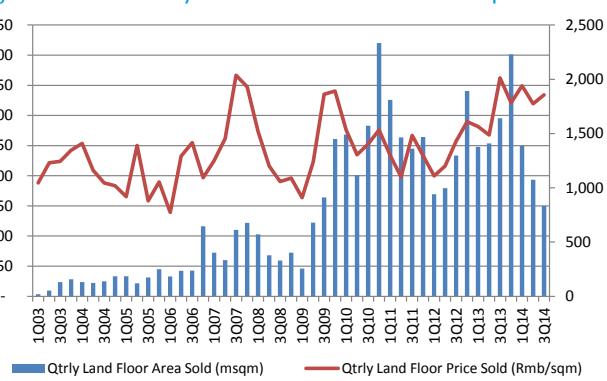
Source: Soufun, Deutsche Bank

Figure 87: Quarterly residential land sales value



Source: Soufun, Deutsche Bank

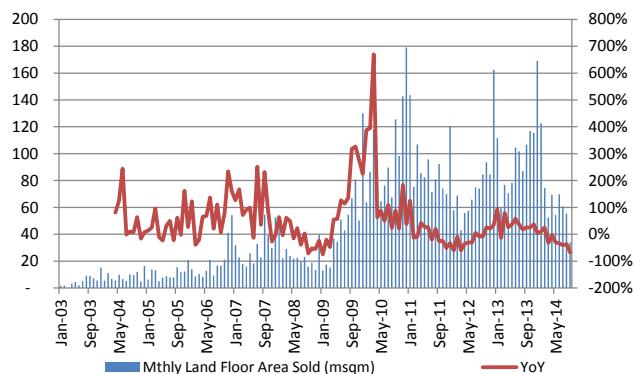
Figure 88: Quarterly residential land floor area/price sold



Source: Soufun, Deutsche Bank

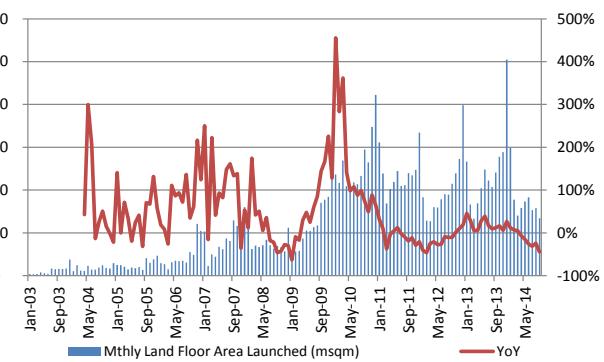


Figure 89: Monthly residential land floor area launched



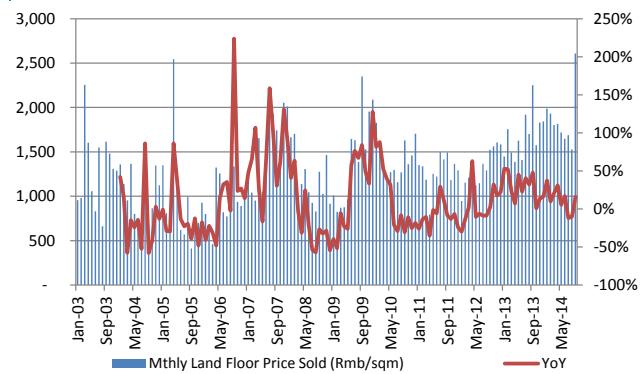
Source: Soufun, Deutsche Bank

Figure 90: Monthly residential land floor area sold



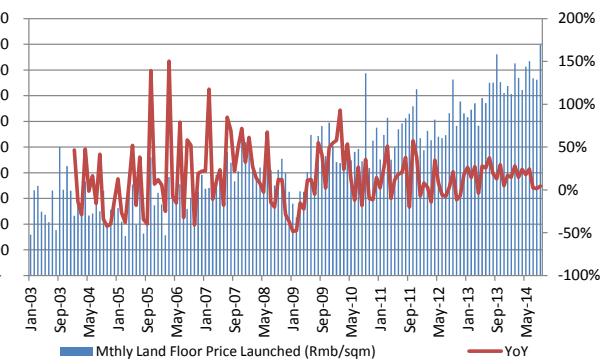
Source: Soufun, Deutsche Bank

Figure 91: Monthly residential land floor price launched



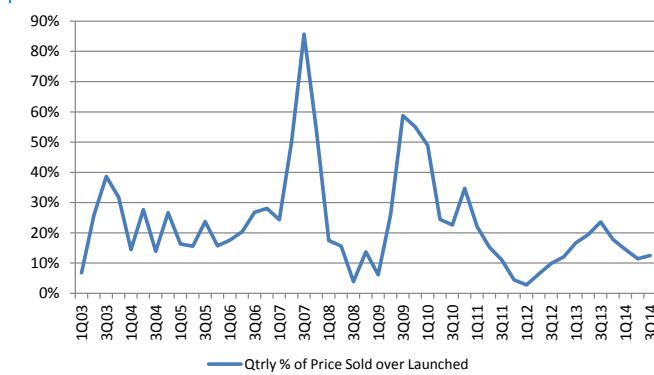
Source: Soufun, Deutsche Bank

Figure 92: Monthly residential land floor price sold



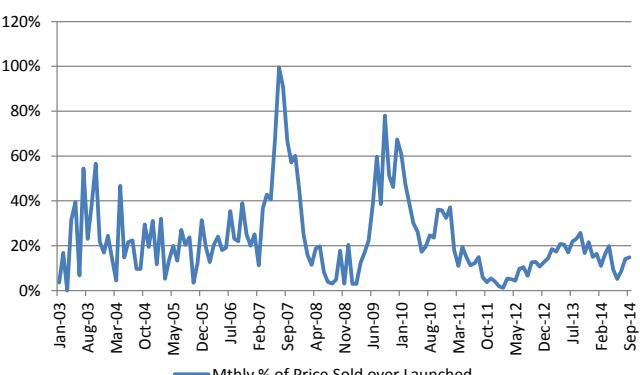
Source: Soufun, Deutsche Bank

Figure 93: % of residential price sold over launched Qtrly



Source: Soufun, Deutsche Bank

Figure 94: % of residential price sold over launched Mthly



Source: Soufun, Deutsche Bank



Figure 95: China Property: Commodity housing land sales in 300 major cities

	Total Land Parcels					Total GFA (msqm)						
	Launched	Transacted	% of Launched	Failed Auction	% of Launched	Other Not-Transacted as a % of Launched	Launched	Transacted	% of Launched	Failed Auction	% of Launched	
2005	2,884	2,236	78%	35	1.2%	21.3%	204	171	84%	1.2	0.6%	15.4%
2006	4,194	2,864	68%	46	1.1%	30.6%	361	292	81%	5.4	1.5%	17.6%
2007	9,224	5,775	63%	121	1.3%	36.1%	737	517	70%	17.7	2.4%	27.4%
2008	13,666	7,849	57%	180	1.3%	41.2%	894	560	63%	15.1	1.7%	35.6%
2009	22,810	17,733	78%	215	0.9%	21.3%	1,585	1,257	79%	16.4	1.0%	19.7%
2010	33,683	25,829	77%	364	1.1%	22.2%	2,636	1,986	75%	34.2	1.3%	23.3%
2011	38,132	31,348	82%	1,192	3.1%	14.7%	2,733	2,183	80%	120.9	4.4%	15.7%
2012	37,703	30,512	81%	1,421	3.8%	15.3%	2,585	2,027	78%	119.9	4.6%	17.0%
2013	41,034	34,989	85%	793	1.9%	12.8%	2,984	2,490	83%	58.2	2.0%	14.6%
9M14	23,758	19,031	80%	423	1.8%	18.1%	1,646	1,292	78%	33.6	2.0%	19.5%

Source: Soufun, Deutsche Bank

Figure 96: China Property: Total residential land sales in 300 major cities

	Residential Land Parcels					Residential GFA (msqm)						
	Launched	Transacted	% of Launched	Failed Auction	% of Launched	Other Not-Transacted as a % of Launched	Launched	Transacted	% of Launched	Failed Auction	% of Launched	
2005	1,997	1,557	78%	28	1.4%	20.6%	158	131	83%	1.0	0.7%	15.9%
2006	2,923	1,976	68%	27	0.9%	31.5%	293	236	81%	3.7	1.3%	18.1%
2007	4,603	3,055	66%	64	1.4%	32.2%	515	367	71%	8.9	1.7%	27.1%
2008	4,746	2,641	56%	65	1.4%	43.0%	506	320	63%	7.5	1.5%	35.4%
2009	8,179	6,409	78%	80	1.0%	20.7%	956	759	79%	11.2	1.2%	19.4%
2010	12,073	9,245	77%	151	1.3%	22.2%	1,592	1,196	75%	21.2	1.3%	23.6%
2011	12,468	9,677	78%	563	4.5%	17.9%	1,445	1,112	77%	80.0	5.5%	17.5%
2012	11,257	8,496	75%	548	4.9%	19.7%	1,221	923	76%	60.7	5.0%	19.5%
2013	13,328	10,888	82%	284	2.1%	16.2%	1,465	1,198	82%	30.8	2.1%	16.1%
9M14	6,907	5,220	76%	158	2.3%	22.1%	786	596	76%	19.8	2.5%	21.7%

Source: Soufun, Deutsche Bank

Figure 97: China Property: Total commercial land sales in 300 major cities

	Commercial Land Parcels					Commercial GFA (msqm)						
	Launched	Transacted	% of Launched	Failed Auction	% of Launched	Other Not-Transacted as a % of Launched	Launched	Transacted	% of Launched	Failed Auction	% of Launched	
2005	711	550	77%	5	0.7%	21.9%	30	27	90%	0.1	0.3%	9.3%
2006	1,043	754	72%	18	1.7%	26.0%	61	49	81%	1.7	2.9%	16.0%
2007	1,722	1,171	68%	22	1.3%	30.7%	100	79	79%	1.4	1.4%	19.6%
2008	1,854	1,153	62%	18	1.0%	36.8%	98	69	71%	0.9	0.9%	28.5%
2009	3,359	2,627	78%	41	1.2%	20.6%	187	154	82%	2.1	1.1%	16.9%
2010	5,354	3,953	74%	92	1.7%	24.4%	340	243	72%	6.0	1.8%	26.6%
2011	6,547	5,234	80%	297	4.5%	15.5%	416	330	79%	23.9	5.7%	14.8%
2012	7,071	5,326	75%	302	4.3%	20.4%	476	361	76%	26.3	5.5%	18.8%
2013	8,304	6,858	83%	193	2.3%	15.1%	620	517	83%	10.0	1.6%	15.0%
9M14	4,701	3,616	77%	97	2.1%	21.0%	306	237	78%	5.3	1.7%	20.7%

Source: Soufun, Deutsche Bank

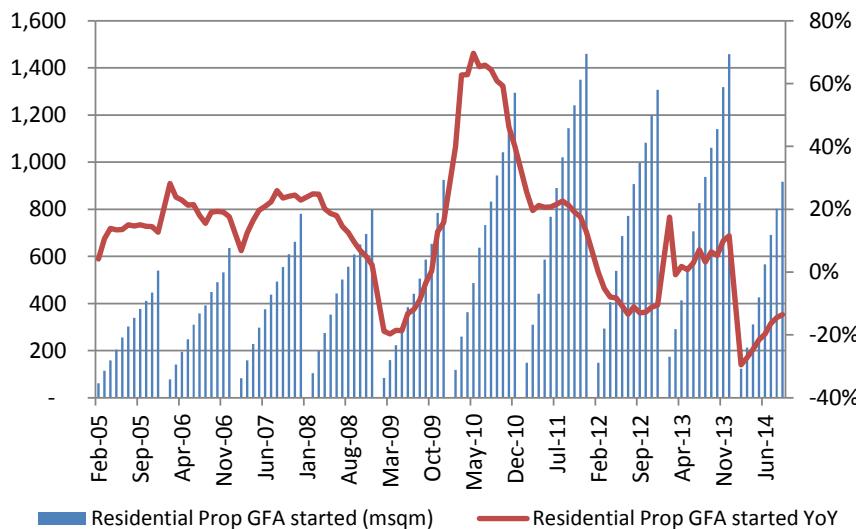


# Taking a look at construction starts of listed developers vs. the industry

## Listed developers stand to gain market share given positive new starts growth

From latest statistics from NBS, new construction starts in the commodity residential market have fallen 13.5% YoY in 9M14, leading to some market concerns. From the perspectives of economic growth, the decline in investments in property market has affected GDP growth. However, from a property market perspective, the decline in land sales and new constructions starts would lead to lower new supply going forward, hence we see a better demand-supply outlook in 2015, good for the property market. More importantly, most of the key listed developers are still having positive YoY growths on new starts, which should allow for continued market share growth.

Figure 98: China Prop – Commodity residential new construction starts (GFA in msqm) and YoY change



Source: NBS, Deutsche Bank

We have surveyed 21 key listed developers on their latest new construction starts plans. Among these 21 listed developers, 12 developers have planned new starts for 2014 that are higher than the new starts in 2013, with an average YoY growth of 20%, and the range of growths being 5-40%. These 12 developers include China Merchants Property Development, China Vanke, COGO, CR Land, CIFI, Evergrande, Gemdale, Greentown, Franshion, Longfor, R&F, and Sunac.



In addition, 5 developers have flat YoY growths in new starts in 2014 vs. 2013. These 5 developers are COLI, Kaisa, Poly Property, Poly Real Estate and Shimao.

For these developers, their saleable resources growths in 2015 should outperform that of the overall property market, allowing for further growth in market share.

Among the 21 developers, only 4 of them have negative YoY growths in new construction starts in 2014 vs. 2013. These 4 developers are Agile, Country Garden, Sino Ocean, and Yuexiu. The slowdown in new starts should affect saleable resources and growth ahead.



Figure 99: China Property – Updates on 2014 new starts of key listed developers

Developer	Ticker	Latest new constructions starts for full-year 2014	Is there any decline in new starts vs the original budget? by how much?	Actual 2014 new starts vs Planned	2014 new starts vs 2013	Is there any decline in new starts vs end-2013? by how much?	Total GFA under construction now
Agile	3383 HK	4.3msm	Original: 6msm, down 1.7msm	Down	Down	Original: 4.9msm, down 0.6msm	11.82msm
China Merchants Prop	000024 CH	1H: 4.19msqm	Budget: 5.48msm, no adjustment for full year target so far	Unchanged	Up	2013 4.24msm, company expects increase in new construction starts this year.	1H: 10.77msm
China Vanke	200002 CH / 2202 HK	22.4msm	Unchanged	Unchanged	Up	About 5% higher than 21.3msm in 2013 including 20msm sold but under construction	43msqm, 25msm - 30msm
COLI	688 HK	1H: 5.3msm FY14: 12msm	Unchanged	Unchanged	Flat	unchanged	NA
COGO	81 HK	1H: 3.09msm FY:3.5msm	Budget: 3.6msm, a decrease of 0.1msm	Down	Up	Actual new constructions starts in 2014 subject to market, FY13: 3msm	5msm
Country Garden	2007 HK	17msm	The plan of new starts is same as planned as beginning of 2014. But, CG has slowed down some construction paces.	Unchanged	Down	At end-2013, new starts were 27.05msm, and budget for full year of 2014 is 17msm, less than end-2013.	GFA under construction at the end 3Q is 41.7msm.
CR Land	1109 HK	10.73msm	Unchanged	Unchanged	Up	About 26% higher than 8.5msm in 2013	NA
CIFI	0884 HK	3msm	Yes, 500ksm less than budget	Down	Up	New start GFA last year was 2.7msm vs. this year new GFA (currently expected) of 3msam.	To year-end, about 7msqm construction, before including 2014 completion.
Evergrande	3333 HK	20msm	17msm	Up	Up	2014 new construction starts see a single digit increment compared to end-2013	1H:38.7msm
Gemdale	600383 CH	6.36mqm	Unchanged	Unchanged	Up	2013: 5.73msm, YoY increase in 2014	18msm
Greentown	3900 HK	5.2msm (1H: 2.2msqm 2H: 3msm)	4msm	Up	Up	4.06msm	19.28msm
Franshion	0817 HK	As of 1H, about 1.1msqm started	Could be slightly revised down from 2msm plan	Down	Up	Not confirmed yet (2013: 1.53msm)	Plan for 2014: 4.5msm
Kaisa	1638 HK	3.2msm	Unchanged	Unchanged	Flat	mostly flat	8.5-8.6msm
Longfor	960 HK	Not confirmed yet	Might be slightly lower than the 7msqm planned	Down	Up	Not confirmed yet (2013: 6msm)	No information can be provided
Poly HK	119 HK	4msm	Budget: 4msm, no adjustment for full year target so far	Unchanged	Flat	Not really	9.7msm under development, 13.8msm future development
R&F	2777 HK	8.6msm	About 14% lower than original plan at start of 14	Down	Up	About 40% higher than 6msm in 2013	As of 1H: 13.8msm
Sino-Ocean	3377 HK	3.0 - 3.5msm	Unchanged	Unchanged	Down	down 10%	10msm, unchanged
Sunac	1918 HK	Over 5msm	Unchanged	Unchanged	Up	About 20-30% high than in 2013, due to more land acquired in 2013	As of 1H: about 9.9msm
Yuxiu	123 HK	1.71msm	Unchanged	Unchanged	Down	55% less than the 3.83msm in 2013	Plan for 2014: 8.31msm
Poly A	6000024 CH	17msm	Unchanged	Unchanged	Flat	Unchanged	NA
Shimao	813 HK	5-6msm	decline from 8msm to 5-6msm	Down	Flat	N/A	12msm

Source: Company, Deutsche Bank

### Listed developers should continue to outperform the overall market

From latest statistics from NBS, new construction starts in the commodity residential market have fallen 13.5% YoY in 9M14, leading to some market concerns on the health of the property market.



There is no change to our positive view on the China property market - especially given the latest policy relaxation by the central government and the price cuts by the developers (which are in line with our expectations).

From the perspectives of the economy, the decline in investment in the property market (i.e. decline in land sales and new construction starts) has been affecting GDP growth. However, from a property market perspective, the decline in land sales and new constructions starts would lead to lower new supply going forward, and hence we see a better demand-supply outlook in 2015, which is good for the property market.

## Market share gains to drive future growth for individual developers

While we believe overall sales volume and construction activities in the commodity residential market have already reached its peak in 2013, this does not imply that individual developers cannot grow. Over the next few years market share gains should be the key growth driver within the sector.

Since 2005, we have seen three cycles in the China property market, with each cycle being three years. In particular, 2008 was a down year following a strong 2006-07 (first cycle post-housing reform in 1998), followed by a strong 2009-10 and the market turned weak again in 2011 (second cycle). In the latest cycle, after strong years witnessed in 2012-13, sales momentum turned weak again in 2014 YTD. Overall, these three cycles highlight that market forces have been working well in the China property market, as opposed to other monopolistic or oligopolistic industries in the country. Going forward, we believe the self-adjustment mechanism associated with these market pressures will allow the bigger and stronger developers to gain market shares at a faster pace.

### Market shares of the listed developers have continued to rise

Our market share analysis shows that the key listed developers as a group have been able to gain higher market share in terms of sales, profitability and landbanking over the past years. We believe this industry consolidation trend would accelerate in the expected adjustment period in 2014/2015.

In 2013, the 28 key listed developers we monitor had an aggregate market share in terms of contracted sales value of 19.2%, up from 11.8% in 2008. Based on the preliminary nationwide sales data for 9M14, the aggregate market share rose further to 24.9%. Among these developers, China Vanke, COLI, Poly Real Estate, Evergrande and Country Garden remained the top 5.



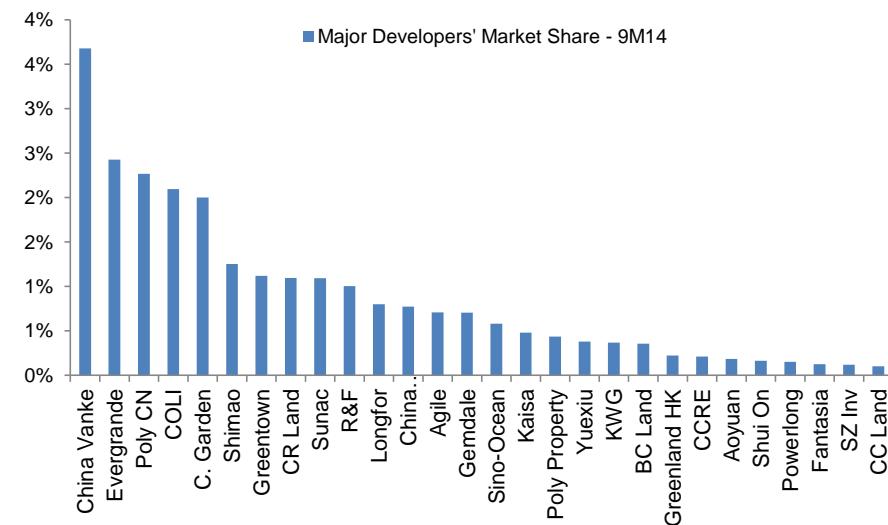
Figure 100: China Prop – Major Developers' Market Share by contract sales

Company	Ticker	Major Developers' Market Share										
		2005	2006	2007	2008	2009	2010	2011	2012	2013	9M14	
Agile	3383 HK	0.4%	0.4%	0.4%	0.5%	0.6%	0.7%	0.6%	0.6%	0.6%	0.7%	
Aoyuan	3883 HK	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	
BC Land	2868 HK	0.2%	0.5%	0.3%	0.2%	0.3%	0.3%	0.2%	0.2%	0.3%	0.4%	
C. Garden	2007 HK	0.3%	0.4%	0.7%	0.8%	0.6%	0.7%	0.9%	0.9%	1.6%	2.0%	
CC Land	1224 HK				0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	
CCRE	832 HK			0.1%	0.2%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	
China Vanke	200002 CH	1.0%	1.2%	2.0%	2.3%	1.7%	2.5%	2.5%	2.6%	2.5%	3.7%	
China Merchants Property	000024 CH		0.1%	0.1%	0.3%	0.4%	0.3%	0.4%	0.7%	0.6%	0.8%	
COLI	688 HK	0.7%	0.8%	0.9%	1.1%	0.6%	1.3%	1.4%	1.6%	1.6%	2.1%	
CR Land	1109 HK	0.2%	0.2%	0.2%	0.4%	0.7%	0.5%	0.7%	1.0%	1.0%	1.1%	
Evergrande	3333 HK		0.1%	0.1%	0.3%	0.8%	1.1%	1.7%	1.7%	1.5%	2.4%	
Fantasia	1777 HK				0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%	
Gemdale	600383 CH		0.3%	0.4%	0.5%	0.5%	0.7%	0.6%	0.6%	0.6%	0.7%	
Glorious	845 HK				0.2%	0.2%	0.3%	0.3%	0.2%	0.1%	0.1%	
Greentown	3900 HK	0.3%	0.4%	0.6%	0.7%	1.3%	1.2%	0.7%	1.0%	0.9%	1.1%	
Kaisa	1638 HK				0.1%	0.2%	0.2%	0.3%	0.3%	0.4%	0.5%	
KWG	1813 HK				0.1%	0.2%	0.3%	0.2%	0.2%	0.2%	0.4%	
Longfor	960 HK		0.2%	0.4%	0.5%	0.5%	0.8%	0.8%	0.8%	0.7%	0.8%	
Poly CN	600048 CH	0.3%	0.5%	0.7%	0.8%	1.1%	1.5%	1.5%	1.9%	1.9%	2.3%	
Poly Property	119 HK			0.1%	0.2%	0.2%	0.3%	0.3%	0.4%	0.4%	0.4%	
Powerlong	1238 HK				0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	
R&F	2777 HK	0.6%	0.7%	0.6%	0.8%	0.6%	0.7%	0.6%	0.6%	0.6%	1.0%	
Shimao	813 HK	0.3%	0.3%	0.4%	0.6%	0.6%	0.7%	0.6%	0.9%	1.0%	1.3%	
Shui On	272 HK	0.0%	0.2%	0.2%	0.1%	0.2%	0.1%	0.2%	0.1%	0.2%	0.2%	
Sino-Ocean	3377 HK	0.2%	0.2%	0.2%	0.3%	0.4%	0.5%	0.6%	0.6%	0.5%	0.6%	
Greenland HK	337 HK		0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%	0.2%	
Sunac	1918 HK			0.1%	0.2%	0.2%	0.2%	0.4%	0.6%	0.8%	1.1%	
SZ Inv	604 HK				0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	
Yuexiu	123 HK	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.4%	
<b>Total</b>		<b>4.4%</b>	<b>6.8%</b>	<b>8.7%</b>	<b>11.8%</b>	<b>12.5%</b>	<b>15.9%</b>	<b>16.7%</b>	<b>18.6%</b>	<b>19.2%</b>	<b>24.9%</b>	
<b>Top 20 Total</b>					<b>8.5%</b>	<b>11.0%</b>	<b>11.5%</b>	<b>14.8%</b>	<b>15.4%</b>	<b>17.5%</b>	<b>17.9%</b>	<b>23.6%</b>

Source: Company, NBS, Deutsche Bank

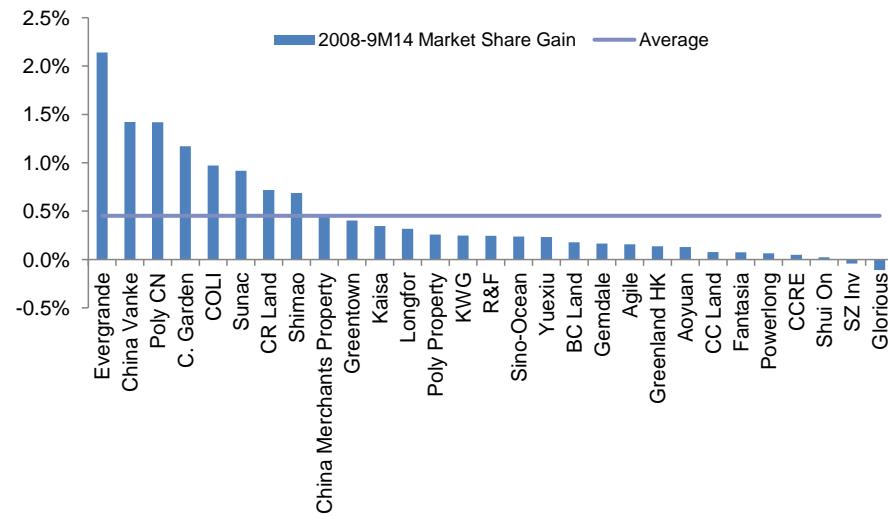


Figure 101: China Prop – Major Developer's Market Share (by contracted sales) – 9M14



Source: Company, NBS, Deutsche Bank

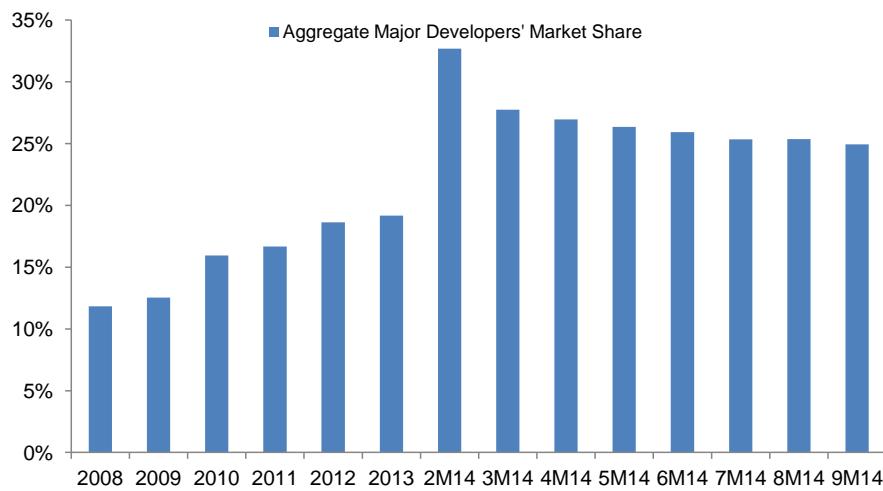
Figure 102: China Prop – 2008-9M14 Market Share Gain (by contracted sales)



Source: Company, NBS, Deutsche Bank



Figure 103: China Prop – Aggregate Major Developers' Market Share (by contracted sales)



Source: Company, NBS, Deutsche Bank

Figure 104: China Prop – Market Share by Value of landbank acquisition

Company	Ticker	2006	2007	2008	2009	2010	2011	2012	2013
China Vanke	200002 CH	8.4%	6.3%	3.5%	2.3%	3.6%	2.1%	4.1%	5.2%
COLI	688 HK	4.7%	4.3%	1.7%	2.2%	0.5%	1.3%	2.5%	2.1%
Sunac	1918 HK	na	na	na	na	0.5%	0.8%	2.7%	2.0%
Evergrande	3333 HK	na	na	na	0.7%	1.9%	2.3%	1.9%	3.4%
Shimao	813 HK	na	1.2%	2.0%	1.2%	1.2%	0.4%	0.0%	1.1%
CR Land	1109 HK	2.1%	2.0%	2.3%	2.0%	1.1%	1.4%	0.8%	1.4%
Greentown	3900 HK			2.7%	4.2%	1.3%	0.8%	0.6%	1.0%
Yuexiu	123 HK	1.1%	0.2%	0.2%	0.5%	0.5%	0.4%	0.7%	1.0%
Agile	3383 HK	2.4%	1.4%	0.7%	1.4%	0.7%	0.1%	0.2%	0.7%
Longfor	960 HK	na	na	na	1.8%	1.2%	0.7%	1.7%	0.7%
Kaisa	1638 HK	na	na	na	0.1%	0.4%	0.4%	0.4%	0.7%
R&F	2777 HK	na	0.3%	0.0%	1.1%	0.5%	0.4%	0.3%	1.7%
Country Garden	2007 HK	na	0.9%	0.8%	0.7%	0.4%	0.7%	0.7%	1.3%
COGO	81 HK	na	na	na	na	0.2%	0.2%	0.4%	0.4%
China SCE	1966 HK	na	na	na	na	0.1%	0.0%	0.2%	0.3%
KWG	1813 HK	na	1.4%	1.0%	0.2%	0.5%	0.5%	0.2%	0.3%
Franshion	817 HK	na	na	2.8%	0.4%	0.1%	0.4%	0.9%	0.3%
Minmetals	230 HK	0.0%	0.0%	0.1%	0.1%	0.4%	0.0%	0.0%	0.2%
Central China	832 HK	na	na	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Poly Property	119 HK	na	na	1.0%	1.5%	1.2%	0.5%	0.4%	0.5%
SOHO China	410 HK	na	0.4%	1.7%	1.0%	0.4%	1.4%	0.0%	0.2%
C C Land	1224 HK	na	na	0.0%	0.1%	0.1%	0.3%	0.3%	0.1%
Sino-Ocean	3377 HK	1.7%	1.8%	1.2%	0.8%	2.2%	0.9%	0.0%	0.0%
Glorious	845 HK	na	na	na	0.9%	0.2%	0.0%	0.0%	0.0%
Shui On	272 HK	na	na	na	na	0.3%	0.0%	0.0%	0.0%
Yanlord	YLLG SP	0.5%	0.9%	0.7%	0.4%	0.1%	0.1%	0.0%	0.0%
<b>Total</b>		<b>21.0%</b>	<b>21.0%</b>	<b>22.6%</b>	<b>23.5%</b>	<b>19.5%</b>	<b>16.2%</b>	<b>19.1%</b>	<b>24.9%</b>

Source: Company, NBS, Soufun, Deutsche Bank



# Balance between asset turnover and profitability is more important

## High asset turnover no longer the best strategy for Chinese developers

Some market participants argue that fast asset turnover can generate higher ROE for Chinese developers. Our analysis shows that too-fast an asset turnover tends to damage margins and ROEs, and quite some high ROEs reported by developers were merely a result of higher net gearing (i.e. higher financial risks taken). Developers focusing highly on fast asset turnover (i.e. high contracted sales), especially in Tier-1/2 cities, have tended to report lower margins and earnings growth in the past two years. Conversely, developers able to strike a balance between sales scale and profitability, with good landbank vintage and financing capabilities, have delivered better profitability and growth.

## Sole focus on fast asset turnover is not the best strategy; Tier-3/4 cities should not be scapegoats for lower margins

Some market participants argue that exposure to Tier-3/4 cities is a key reason behind lower margins and slower earnings growth for Chinese developers. Our analysis shows that there is no such causal relationship between exposure to Tier-3/4 and falling margins. However, developers that focus predominantly on fast asset turnover (i.e. high contracted sales scale), especially in Tier-1/2 cities, have tended to report lower margins in the latest two reporting years. On the other hand, developers that were able to strike a balance between sales scale and profitability, with good landbank vintage and financing capabilities, have done better and should continue to deliver better profitability with growth.

### Exposure to Tier-3/4 cities does not necessarily lead to lower margins

As evident from 2013/14 results, developers focusing on Tier-3/4 cities did not show lower margins than developers focusing on Tier-1/2 cities. Average property development (PD) margins for the Tier-3/4 cities-focused developers were 33.3% and 32.7% in 1H13 and 1H14 respectively, higher than average PD margins of 33.2% and 29.7% in 1H13 and 1H14 for the group of developers focusing on Tier-1/2 cities. In addition, the average decline in PD margins for Tier-3/4 cities developers was also smaller than that for the Tier-1/2 cities developers, reflecting the more stable ASPs and land prices in Tier-3/4 cities.



Figure 105: China property – comparing margins of developers focusing on different city-tiers

Company	Gross margin from property development (PD)		Breakdown of landbank by city-tier				
	1H13	1H14	Tier-1	Tier-2	Tier-3/4	Others	Total
<b>Tier-1/2 cities focused</b>							
COLI	36.3%	35.8%	8%	89%	3%	1%	100%
Vanke	23.8%	21.9%	10%	72%	18%	0%	100%
CR Land	27.6%	28.2%	7%	68%	25%	0%	100%
Franshion	49.3%	31.9%	38%	57%	5%	0%	100%
Longfor	31.3%	30.2%	6%	91%	3%	0%	100%
Gemdale	28.9%	22.8%	13%	69%	18%	0%	100%
CIFI	25.3%	26.4%	21%	70%	9%	0%	100%
Poly – A	26.3%	27.8%	12%	71%	17%	0%	100%
Shimao	35.5%	34.1%	9%	73%	18%	0%	100%
China Merchants	46.1%	35.3%	15%	64%	22%	0%	100%
Sino-Ocean	24.0%	20.0%	16%	60%	24%	0%	100%
R&F	38.0%	36.0%	26%	47%	17%	10%	100%
Sunac	20.8%	22.4%	30%	70%	0%	0%	100%
Yuxiu	40.9%	34.4%	38%	42%	20%	1%	100%
KWG	35.9%	35.7%	58%	35%	7%	0%	100%
Yanlord	35.8%	31.1%	23%	77%	0%	0%	100%
Hopson	38.1%	31.2%	57%	19%	24%	0%	100%
<b>Average Tier-1/2 cities focused</b>	<b>33.2%</b>	<b>29.7%</b>	<b>22.8%</b>	<b>63.1%</b>	<b>13.5%</b>	<b>0.7%</b>	<b>100%</b>
<b>Tier-3/4 cities focused</b>							
COGO	32.7%	29.0%	1%	0%	99%	0%	100%
Central China	36.3%	41.8%	0%	24%	76%	0%	100%
Country Garden	33.9%	28.6%	3%	16%	80%	1%	100%
Evergrande	27.3%	28.6%	5%	40%	55%	0%	100%
Agile	36.2%	35.4%	8%	25%	68%	0%	100%
<b>Average Tier-3/4 cities focused</b>	<b>33.3%</b>	<b>32.7%</b>	<b>3.3%</b>	<b>21.0%</b>	<b>75.5%</b>	<b>0.3%</b>	<b>100%</b>
<b>Balanced</b>							
Kaisa	36.4%	40.3%	42%	21%	37%	0%	100%
Greentown	29.7%	24.0%	5%	49%	46%	0%	100%
<b>Average balanced</b>	<b>33.1%</b>	<b>32.2%</b>	<b>23.5%</b>	<b>35.1%</b>	<b>41.5%</b>	<b>0.0%</b>	<b>100%</b>

Source: Company, Deutsche Bank Estimate

#### Focus on fast asset turnover has damaged profitability and growth

Regrouping developers by their sales strategy, we find that developers focusing predominantly on fast asset turnover had PD margins of only 27.7% in 1H13 and 26.6% in 1H14, markedly lower than the 37.4% and 34.9% PD margins of developers that balanced sales scale and profitability (such as COLI, CR Land, Franshion, Longfor, Kaisa, KWG, CCRE, CMPD); the latter group also experienced slower pace of margin compression.

More importantly, these scale-profitability-balanced developers also reported stronger core net growth (average 13.3% growth YoY) in 1H14 than developers emphasizing fast asset turnover (average 6.1% growth YoY). The fast-turnover-focused developers would face two key challenges going forward: 1) the already-high base of sales scale would make it more difficult for them to sustain the pace of growth going forward; and 2) with land prices consistently rising faster than home prices in Tier-1/2 cities, a sole focus on high asset turnover would further hurt profitability.



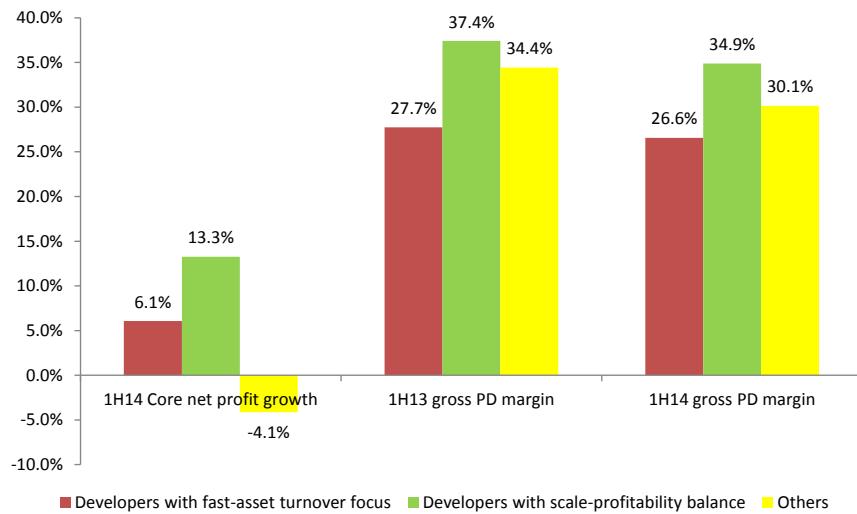
Figure 106: China property – Comparing margins of developers with high asset turnover vs. turnover-profitability balance

Company	Gross margin from property development (PD)		Breakdown of landbank by city-tier				
	1H13	1H14	Tier-1	Tier-2	Tier-3/4	Others	Total
<b>High asset turnover</b>							
Vanke	23.8%	21.9%	10%	72%	18%	0%	100%
Gemdale	28.9%	22.8%	13%	69%	18%	0%	100%
Country Garden	33.9%	28.6%	3%	16%	80%	1%	100%
Evergrande	27.3%	28.6%	5%	40%	55%	0%	100%
Poly – A	26.3%	27.8%	12%	71%	17%	0%	100%
Shimao	35.5%	34.1%	9%	73%	18%	0%	100%
Sunac	20.8%	22.4%	30%	70%	0%	0%	100%
CIFI	25.3%	26.4%	21%	70%	9%	0%	100%
<b>Average</b>	<b>27.7%</b>	<b>26.6%</b>	<b>12.9%</b>	<b>60.1%</b>	<b>26.9%</b>	<b>0.2%</b>	<b>100%</b>
<b>Balance between asset turnover and profitability</b>							
COLI	36.3%	35.8%	8%	89%	3%	1%	100%
CR Land	27.6%	28.2%	7%	68%	25%	0%	100%
Franshion	49.3%	31.9%	38%	57%	5%	0%	100%
Central China	36.3%	41.8%	0%	24%	76%	0%	100%
Kaisa	36.4%	40.3%	42%	21%	37%	0%	100%
Longfor	31.3%	30.2%	6%	91%	3%	0%	100%
China Merchants	46.1%	35.3%	15%	64%	22%	0%	100%
KWG	35.9%	35.7%	58%	35%	7%	0%	100%
<b>Average</b>	<b>37.4%</b>	<b>34.9%</b>	<b>21.7%</b>	<b>56.0%</b>	<b>22.2%</b>	<b>0.1%</b>	<b>100%</b>
<b>Others (margin focus or restructuring)</b>							
Agile	36.2%	35.4%	8%	25%	68%	0%	100%
R&F	38.0%	36.0%	26%	47%	17%	10%	100%
COGO	32.7%	29.0%	1%	0%	99%	0%	100%
Sino-Ocean	24.0%	20.0%	16%	60%	24%	0%	100%
Yuexiu	40.9%	34.4%	38%	42%	20%	1%	100%
Greentown	29.7%	24.0%	5%	49%	46%	0%	100%
Yanlord	35.8%	31.1%	23%	77%	0%	0%	100%
Hopson	38.1%	31.2%	57%	19%	24%	0%	100%
<b>Average</b>	<b>34.4%</b>	<b>30.1%</b>	<b>21.7%</b>	<b>39.8%</b>	<b>37.1%</b>	<b>1.3%</b>	<b>100%</b>

Source: Company, Deutsche Bank Estimate



Figure 107: Developers with scale-profitability balance have performed better than developers focusing on asset turnover



Source: Company, Deutsche Bank



Figure 108: China Property - Comparing core net profit growth of developers with high asset turnover vs. turnover-profitability balance

Company	Core net profit growth YoY 1H14	Breakdown of landbank by city-tier				
		Tier-1	Tier-2	Tier-3/4	Others	Total
<b>High asset turnover</b>						
Vanke	-12%	10%	72%	18%	0%	100%
Gemdale	-64%	13%	69%	18%	0%	100%
Country Garden	14%	3%	16%	80%	1%	100%
Evergrande	-1%	5%	40%	55%	0%	100%
Poly - A	13%	12%	71%	17%	0%	100%
Shimao	20%	9%	73%	18%	0%	100%
Sunac	-4%	30%	70%	0%	0%	100%
CIFI	12%	21%	70%	9%	0%	100%
<b>Average</b>	<b>6.1%</b>	<b>12.9%</b>	<b>60.1%</b>	<b>26.9%</b>	<b>0.2%</b>	<b>100%</b>
<b>Balance between asset turnover and profitability</b>						
COLI	34%	8%	89%	3%	1%	100%
CR Land	84%	7%	68%	25%	0%	100%
Franshion	14%	38%	57%	5%	0%	100%
Central China	4%	0%	24%	76%	0%	100%
Kaisa	6%	42%	21%	37%	0%	100%
Longfor	-22%	6%	91%	3%	0%	100%
China Merchants	-30%	15%	64%	22%	0%	100%
KWG	17%	58%	35%	7%	0%	100%
<b>Average</b>	<b>13.3%</b>	<b>21.7%</b>	<b>56.0%</b>	<b>22.2%</b>	<b>0.1%</b>	<b>100%</b>
<b>Others</b>						
Agile	12%	8%	25%	68%	0%	100%
R&F	-38%	26%	47%	17%	10%	100%
COGO	-18%	1%	0%	99%	0%	100%
Sino-Ocean	115%	16%	60%	24%	0%	100%
Yuexiu	11%	38%	42%	20%	1%	100%
Greentown	-59%	5%	49%	46%	0%	100%
Yanlord	6%	23%	77%	0%	0%	100%
Hopson	-61%	57%	19%	24%	0%	100%
<b>Average</b>	<b>-4.1%</b>	<b>21.7%</b>	<b>39.8%</b>	<b>37.1%</b>	<b>1.3%</b>	<b>100%</b>

Source: Company, Deutsche Bank Estimate



Figure 109: China Prop – Summary on gross margins, core net margin and core ROE

Company	Ticker	Gross margin						Core net profit margin						Core ROE					
		2009	2010	2011	2012	2013	1H14	2009	2010	2011	2012	2013	1H14	2009	2010	2011	2012	2013	1H14
Agile	3383.HK	37%	46%	54%	41%	36%	35%	15%	18%	16%	16%	13%	10%	15%	22%	19%	21%	17%	12%
Central China	0832.HK	35%	34%	39%	35%	34%	42%	15%	12%	10%	8%	3%	13%	31%	13%	16%	17%	11%	14%
China Merchants	000024.SZ	36%	35%	47%	43%	36%	35%	15%	13%	16%	13%	13%	11%	10%	11%	13%	15%	17%	13%
China Vanke	000002.SZ	26%	33%	30%	27%	24%	23%	11%	14%	13%	12%	11%	10%	14%	16%	19%	20%	20%	10%
CIFI	0884.HK	30%	27%	34%	24%	26%	26%	11%	9%	11%	11%	13%	13%	22%	23%	17%	19%	20%	15%
COGO	0081.HK	na	45%	58%	41%	33%	29%	-8%	20%	30%	22%	17%	13%	na	18%	32%	32%	29%	18%
COLI	0688.HK	32%	40%	40%	38%	33%	36%	17%	19%	21%	21%	21%	22%	16%	18%	17%	17%	18%	19%
Country Garden	2007.HK	26%	32%	35%	37%	30%	29%	11%	16%	16%	16%	14%	12%	9%	19%	21%	20%	21%	21%
CR Land	1109.HK	36%	39%	40%	38%	28%	31%	14%	14%	13%	15%	12%	13%	7%	8%	9%	10%	11%	9%
Evergrande	3333.HK	34%	29%	33%	28%	27%	29%	1%	11%	14%	10%	9%	10%	1%	30%	33%	18%	21%	27%
Franshion	0817.HK	52%	52%	54%	42%	44%	39%	15%	15%	9%	12%	13%	15%	7%	5%	2%	8%	8%	13%
Hopson	0754.HK	42%	40%	46%	43%	38%	32%	18%	15%	13%	28%	14%	13%	8%	7%	3%	7%	5%	3%
Gemdale	600383.SS	33%	35%	35%	28%	22%	19%	15%	14%	14%	9%	7%	1%	11%	15%	14%	14%	11%	1%
Greentown	3900.HK	26%	305%	34%	30%	30%	26%	4%	74%	8%	9%	9%	5%	7%	10%	17%	25%	16%	6%
Kaisa	1638.HK	28%	39%	30%	33%	34%	40%	8%	18%	13%	13%	12%	17%	7%	17%	13%	11%	15%	13%
KWG	1813.HK	38%	41%	44%	37%	36%	36%	15%	17%	18%	16%	17%	21%	7%	11%	15%	11%	10%	13%
Longfor	0960.HK	29%	34%	41%	40%	28%	31%	10%	14%	17%	18%	13%	13%	15%	15%	21%	20%	16%	12%
Poly A	600048.SS	37%	34%	37%	36%	32%	34%	15%	14%	14%	12%	12%	11%	17%	18%	20%	21%	23%	14%
R&F	2777.HK	32%	38%	42%	41%	39%	34%	11%	14%	16%	16%	15%	7%	13%	19%	20%	19%	19%	4%
Shimao	0813.HK	35%	37%	38%	34%	35%	34%	13%	11%	13%	11%	14%	15%	11%	10%	11%	10%	15%	17%
Sino-Ocean	3377.HK	30%	30%	31%	27%	24%	20%	12%	14%	9%	8%	9%	11%	5%	7%	6%	7%	7%	10%
Sunac	1918.HK	28%	43%	34%	26%	23%	22%	13%	22%	17%	12%	10%	11%	65%	48%	31%	29%	27%	10%
Yanlord	YLLG.SP	56%	55%	34%	36%	35%	31%	14%	15%	8%	9%	9%	5%	7%	5%	3%	3%	4%	2%
Yuexiu	0123.HK	35%	33%	42%	48%	29%	34%	1%	2%	8%	8%	7%	16%	0%	1%	5%	3%	4%	8%
<b>Average</b>		<b>34%</b>	<b>49%</b>	<b>40%</b>	<b>35%</b>	<b>32%</b>	<b>31%</b>	<b>15%</b>	<b>17%</b>	<b>13%</b>	<b>13%</b>	<b>12%</b>	<b>12%</b>	<b>13%</b>	<b>15%</b>	<b>16%</b>	<b>16%</b>	<b>15%</b>	<b>12%</b>

Source: Company, Deutsche Bank



Figure 110: China Prop – Summary on asset turnover and asset / equity

Company	Ticker	Asset Turnover						Asset / Equity					
		2009	2010	2011	2012	2013	1H14	2009	2010	2011	2012	2013	1H14
Agile	3383.HK	0.34	0.36	0.30	0.35	0.34	0.29	2.93	3.48	3.76	3.67	3.75	3.97
Central China	0832.HK	0.32	0.35	0.38	0.29	0.25	0.18	2.87	3.86	4.29	4.47	4.99	5.65
China Merchants	000024.SZ	0.24	0.26	0.22	0.27	0.27	0.23	2.74	3.12	3.61	4.31	4.85	5.05
China Vanke	000002.SZ	0.36	0.27	0.26	0.29	0.30	0.16	3.71	4.33	5.27	5.78	6.10	6.38
CIFI	0884.HK	0.35	0.44	0.26	0.35	0.34	0.24	5.49	5.90	6.00	4.69	4.61	4.65
COGO	0081.HK	0.15	0.32	0.34	0.38	0.43	0.34	3.59	3.95	3.91	3.86	3.84	3.99
COLI	0688.HK	0.37	0.32	0.30	0.32	0.31	0.32	2.65	2.85	2.68	2.55	2.67	2.73
Country Garden	2007.HK	0.31	0.35	0.37	0.34	0.37	0.34	2.83	3.17	3.52	3.66	4.20	4.97
CR Land	1109.HK	0.19	0.22	0.22	0.21	0.28	0.19	2.53	2.83	2.98	3.18	3.31	3.39
Evergrande	3333.HK	0.12	0.55	0.44	0.31	0.32	0.33	4.34	5.10	5.46	5.95	6.76	8.14
Franshion	0817.HK	0.17	0.14	0.11	0.23	0.20	0.22	2.72	2.31	2.46	2.77	3.26	3.91
Gemdale	600383.SS	0.21	0.25	0.25	0.29	0.24	0.14	3.29	3.47	3.46	3.10	3.42	3.41
Hopson	0754.HK	0.45	0.42	0.19	0.21	0.12	0.08	2.67	2.44	2.54	2.73	2.66	2.64
Greentown	3900.HK	0.15	0.01	0.17	0.30	0.25	0.20	6.64	10.14	11.44	7.12	4.99	5.60
Kaisa	1638.HK	0.30	0.35	0.32	0.24	0.27	0.14	3.19	2.67	3.11	3.79	4.61	5.44
KWG	1813.HK	0.17	0.22	0.24	0.21	0.17	0.17	2.67	3.12	3.37	3.25	3.34	3.60
Longfor	0960.HK	0.30	0.26	0.29	0.25	0.31	0.21	4.90	4.06	4.46	4.29	4.03	3.98
Poly A	600048.SS	0.32	0.30	0.27	0.31	0.33	0.20	3.66	4.42	5.35	5.74	6.00	6.33
R&F	2777.HK	0.30	0.34	0.34	0.33	0.30	0.13	3.81	3.92	3.82	3.73	4.08	4.81
Shimao	0813.HK	0.30	0.27	0.24	0.23	0.27	0.25	2.69	3.24	3.72	3.73	3.95	4.39
Sino-Ocean	3377.HK	0.17	0.18	0.20	0.24	0.23	0.26	2.63	2.85	3.06	3.24	3.40	3.64
Sunac	1918.HK	0.50	0.52	0.43	0.40	0.37	0.17	10.05	4.22	4.21	6.32	7.29	7.42
Yanlord	YLLG.SP	0.23	0.23	0.17	0.19	0.18	0.11	2.10	2.10	2.16	2.03	2.21	3.22
Yuexiu	0123.HK	0.13	0.13	0.17	0.12	0.19	0.16	2.96	3.16	3.12	3.10	3.20	3.21
<b>Average</b>		<b>0.27</b>	<b>0.29</b>	<b>0.27</b>	<b>0.28</b>	<b>0.28</b>	<b>0.21</b>	<b>2.65</b>	<b>3.78</b>	<b>4.07</b>	<b>4.05</b>	<b>4.23</b>	<b>4.61</b>

Source: Company, Deutsche Bank



# High net gearing of individual developers

## Reported net gearing numbers of some developers likely underestimate actual leverage levels

A prominent theme in 1H14 results of Chinese developers is a general rise in net gearing, which was not a surprise given strong growth in land sales and debt issuances by developers in 2013 and early 2014. Average reported net gearing for 22 listed developers was 70.4% at end-1H14, up from 59.8% at end-2013.

Figure 111: China Prop – Net gearing numbers reported by management

Company	End-1H14	End-2013	Calculation of reported net gearing	DB Comments
COLI	37.2%	28.4%	Net Debt / Shareholders' Equity	Conservative
CR Land	55.4%	39.2%	Net Debt / Total Equity (including minority interests)	
China Vanke	36.4%	30.7%	Net Debt / Total Equity (including minority interests)	
Poly - A	158.6%	126.2%	Net Debt / Shareholders' Equity	
Country Garden	67.1%	67.3%	Net Debt / Shareholders' Equity	Project-Level PCS Counted as Total Equity instead of in net debt, investment properties valuation + unpaid FY13 dividends
Longfor	66.2%	57.9%	Net Debt / Total Equity (including minority interests)	
Gemdale	86.4%	57.2%	Net Debt / Shareholders' Equity	
Shimao	58.4%	57.4%	Net Debt / Total Equity (including minority interests)	Aggressive - investment properties valuation + unpaid FY13 dividends
Evergrande	89.6%	69.5%	Net Debt / Total Equity (including minority interests)	Aggressive - Project-Level PCS Counted as Total Equity instead of in net debt, investment properties valuation + unpaid FY13 dividends
R&F	92.3%	110.8%	Net Debt / Total Equity (including minority interests)	Aggressive - Project-Level PCS counted as Total Equity instead of in net debt
Sino-Ocean	60.0%	44.0%	Net Debt / Total Equity (including minority interests)	Corporate-Level PCS counted as Total Equity
Agile	82.0%	72.4%	Net Debt / Total Equity (including minority interests)	Corporate-Level PCS counted as Total Equity
Greentown	78.1%	60.1%	Net Debt / Total Equity (including minority interests)	Corporate-Level PCS counted as Total Equity
Franshion	58.0%	41.0%	Net Debt / Total Equity (including minority interests)	Corporate-Level Perpetual convertible securities counted as Total Equity
Yuxiu	62.7%	61.6%	Net Debt / Total Equity (including minority interests)	
Sunac	66.7%	69.7%	Net Debt / Total Equity (including minority interests)	Aggressive - increase in related parties liabilities not counted in net debts
COGO	72.7%	47.8%	Net Debt / Shareholders' Equity	Conservative
Yanlord	52.3%	37.5%	Net Debt / Total Equity (including minority interests)	
KWG		56.3%	Net Debt / Total Equity (including minority interests)	
Kaisa	72.5%	62.1%	Net Debt / Total Equity (including minority interests)	Project-Level PCS counted as Total Equity + unpaid FY13 dividends
CIFI	71.1%	67.6%	Net Debt / Total Equity (including minority interests)	Project-Level PCS counted as Total Equity + unpaid FY13 dividends
Central China	54.5%	50.3%	Net Debt / Total Equity (including minority interests)	
<b>Average</b>	<b>70.4%</b>	<b>59.8%</b>		

Source: Company, Deutsche Bank



## First level of adjustment: reclassifying project-level PCSs from equity to debts

Looking at the net gearing numbers reported by the developers, we found that different developers used different calculations and classifications, and after adjusting for the differences, the effective net gearings were generally higher than the reported numbers. First, after reclassifying project-level PCSs from equity to debts, accounting for the FY13 dividends that remained unpaid at end-1H14 for certain developers, and calculate net gearing by taking net debts dividend by shareholders' equity (the method that COLI uses), the average net gearing was 98.9% at end-1H14, up from 73.4% at end-2013. Excluding state-owned developers, the average rose from 78% at end-13 to 106% at end-1H14 – already high, but we still need to make one more adjustment.

Figure 112: China Property – Net gearing numbers after first-level of adjustments (for PCSs and unpaid FY13 dividends)

Company	Net Gearing numbers reported by management		Net Gearing (Net Debt/Shareholders' Equity) ex PCS and after payment of FY13 Dividend		Net Gearing (Net Debt/Shareholders' Equity + Minority Interest) ex PCS and after FY13 dividend	
	End-1H14	End-2013	End-1H14	End-2013	End-1H14	End-2013
COLI	37.2%	28.4%	39.2%	28.4%	38.5%	28.1%
CR Land	55.4%	39.2%	61.2%	43.2%	55.4%	39.2%
China Vanke	36.4%	30.7%	50.1%	41.5%	36.4%	30.3%
Poly - A	158.6%	126.2%	159.6%	126.2%	118.7%	94.5%
Country Garden	67.1%	67.3%	76.4%	70.1%	72.9%	67.0%
Longfor	66.2%	57.9%	72.8%	62.3%	66.2%	57.9%
Gemdale	86.4%	57.2%	87.7%	57.2%	66.1%	43.8%
Shimao	58.4%	57.4%	82.1%	71.3%	62.3%	57.4%
Evergrande	89.6%	69.5%	301.1%	165.0%	259.5%	147.6%
R&F	92.3%	110.8%	189.1%	118.7%	185.7%	117.3%
Sino-Ocean	60.0%	44.0%	76.1%	58.0%	69.8%	53.2%
Agile	82.0%	72.4%	115.8%	106.6%	106.7%	97.6%
Greentown	78.1%	60.1%	135.5%	93.2%	98.6%	71.2%
Franshion	58.0%	41.0%	88.6%	62.5%	62.8%	44.5%
Yuexiu	62.7%	61.6%	65.4%	64.1%	62.7%	61.6%
Sunac	66.7%	69.7%	87.5%	93.3%	66.7%	69.7%
COGO	72.7%	47.8%	72.7%	47.8%	66.7%	44.1%
Yanlord	52.3%	37.5%	78.0%	56.9%	50.9%	36.6%
KWG		56.3%		56.4%		56.3%
Kaisa	72.5%	62.1%	107.7%	78.2%	79.5%	62.1%
CIFI	71.1%	67.6%	87.9%	72.2%	81.5%	67.9%
Central China	54.5%	50.3%	43.4%	41.4%	39.5%	37.2%
<b>Average</b>	<b>70.4%</b>	<b>59.8%</b>	<b>98.9%</b>	<b>73.4%</b>	<b>83.2%</b>	<b>63.0%</b>
<b>Average ex Evergrande</b>	<b>69.4%</b>	<b>59.3%</b>	<b>88.8%</b>	<b>69.0%</b>	<b>74.4%</b>	<b>58.9%</b>
<b>Average ex SOEs</b>	<b>68.9%</b>	<b>60.7%</b>	<b>106.1%</b>	<b>77.6%</b>	<b>89.5%</b>	<b>67.1%</b>
<b>Average ex SOEs &amp; Evergrande</b>	<b>67.4%</b>	<b>60.1%</b>	<b>92.1%</b>	<b>71.8%</b>	<b>77.3%</b>	<b>61.7%</b>

Source: Deutsche Bank



## Second level of adjustment: applying more reasonable gross yield to value investment properties (IP)

Unlike the HK property companies, property sales for the China property companies have always been a key business and properties-for-sale a key asset in their balance sheets. However, recent investment properties revaluations (mainly revaluations gains) have appeared more frequently in the P&Ls among the Chinese developers, and the value of investment properties in the balance sheets have continued to grow.

Figure 113: Value of investment property portfolio

	Value of IP as of mid-14	Value of IP as of end-13	% Increase
COLI	38,444	32,532	18%
CR Land	66,387	59,611	11%
China Vanke	6,444	6,367	1%
Poly - A	4,625	4,715	-2%
Country Garden	5,363	0.1	NM
Longfor	31,198	23,813	31%
Gemdale	10,154	10,038	1%
Shimao	27,136	26,942	1%
Evergrande	48,177	36,039	34%
R&F	17,459	15,888	10%
Sino-Ocean	10,501	10,302	2%
Agile	6,154	5,794	6%
Greentown	1,832	1,832	0%
Franshion	23,808	22,018	8%
Yuexiu	12,142	10,219	19%
Sunac	252	252	0%
COGO	3,014	3,013	0%
Yanlord	8,801	8,764	0%
Kaisa	10,460	9,595	9%
CIFI	5,115	4,650	10%
Central China	371	366	1%
<b>Average</b>			<b>8.1%</b>

Source: Company; Deutsche Bank

However, we are aware that some developers with relatively large revaluation gains in their investment property portfolio have not been matched by the respective growth in rental revenue, which consequently resulted in low implied gross rental yields.



Figure 114: Implied gross rental yield on investment property portfolio

	Gross rental Income in 1H14	Value of IP as of mid-14	Implied Rental Yield	Gross rental Income in FY13	Value of IP as of end-13	Implied Rental Yield
COLI	521	38,444	2.7%	860.0	32,532.0	2.6%
CR Land	2,251	66,387	6.8%	4,622.0	59,611.4	7.8%
China Vanke	167	6,444	5.2%	38.0	6,366.7	0.6%
Poly - A	2	4,625	0.1%	3.0	4,714.9	0.1%
Country Garden	46	5,363	1.7%	-	0.1	0.0%
Longfor	378	31,198	2.4%	635.0	23,813.0	2.7%
Gemdale	255	10,154	5.0%	454.0	10,038.0	4.5%
Shimao	260	27,136	1.9%	556.0	26,942.0	2.1%
Evergrande	61	48,177	0.3%	126.0	36,039.0	0.3%
R&F	413	17,459	4.7%	727.0	15,888.0	4.6%
Sino-Ocean	326	10,501	6.2%	554.0	10,302.0	5.4%
Agile	39	6,154	1.3%	54.0	5,794.0	0.9%
Greentown	59	1,832	6.4%	114.0	1,832.0	6.2%
Franshion	696	23,808	5.8%	1,248.8	22,018.5	5.7%
Yuexiu	126	12,142	2.1%	464.0	10,219.0	4.5%
Sunac	12	252	9.5%	31.7	252.0	12.6%
COGO	92	3,014	6.1%	135.0	3,012.6	4.5%
Yanlord	213	8,801	4.8%	427.0	8,764.0	4.9%
Kaisa	94	10,460	1.8%	241.0	9,595.2	2.5%
CIFI	19	5,115	0.7%	47.7	4,650.4	1.0%
Central China	15	371	8.1%	26.0	365.5	7.1%
<b>Average</b>		<b>4.0%</b>				<b>3.8%</b>

Source: Company; Deutsche Bank

### Looking at magnitude of revaluation gains and implied gross rental yields

On our analysis, among bigger developers, Evergrande has had a higher ratio of investment properties revaluation gains in the P&L as a % of investment properties value (in previous year) in balance sheet – average 49% for 2009-2013. Also, Evergrande, Agile, China SCE and Shimao have a relatively low implied gross rental yield (gross rental income as a % of investment properties value in balance sheet). For 1H14, the implied yield was only 0.3% for Evergrande, 1.3% for Agile, and 1.9% for Shimao.

On the other hand, we see meaningfully higher implied gross yields for other developers, like Sunac (9.5%), CCRE (8.1%), CR Land (6.8%), Greentown (6.4%), Sino Ocean (6.2%) and Franshion (5.8%).



**Figure 115: Investment property revaluation gains in the P&L and as a % of previous years' investment properties value in the balance sheet**

Agile	2009	2010	2011	2012	2013	1H14
Investment Properties Revaluation Gains in the P&L	0	3,198	96	178	174	
Investment Properties in the Balance Sheet	0%	4,998	5,248	5,590	5,794	
<b>Investment Properties Revaluation Gains in the P&amp;L in the current year/Investment Properties in the Balance Sheet at end of previous year</b>	<b>0%</b>	<b>NA</b>	<b>1.9%</b>	<b>3.4%</b>	<b>3.1%</b>	
<b>C C Land</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	
Investment Properties Revaluation Gains in the P&L	48	33	18	8	18	
Investment Properties in the Balance Sheet	297	338	373	380	411	
<b>Investment Properties Revaluation Gains in the P&amp;L in the current year/Investment Properties in the Balance Sheet at end of previous year</b>	<b>19.0%</b>	<b>11.0%</b>	<b>5.4%</b>	<b>2.0%</b>	<b>4.8%</b>	
<b>Central China</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	
Investment Properties Revaluation Gains in the P&L	2	4	2	17	19	
Investment Properties in the Balance Sheet	264	277	279	344	366	
<b>Investment Properties Revaluation Gains in the P&amp;L in the current year/Investment Properties in the Balance Sheet at end of previous year</b>	<b>1.0%</b>	<b>1.4%</b>	<b>0.7%</b>	<b>6.1%</b>	<b>5.4%</b>	
<b>China SCE</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	
Investment Properties Revaluation Gains in the P&L	372	64	348	382	603	
Investment Properties in the Balance Sheet	1,296	1,396	1,855	2,854	4,012	
<b>Investment Properties Revaluation Gains in the P&amp;L in the current year/Investment Properties in the Balance Sheet at end of previous year</b>	<b>42.1%</b>	<b>5.0%</b>	<b>25.0%</b>	<b>20.6%</b>	<b>21.1%</b>	
<b>COGO</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	
Investment Properties Revaluation Gains in the P&L	-132	69	117	364	366	
Investment Properties in the Balance Sheet	1,245	1,310	1,884	2,249	3,013	
<b>Investment Properties Revaluation Gains in the P&amp;L in the current year/Investment Properties in the Balance Sheet at end of previous year</b>	<b>-17.6%</b>	<b>5.5%</b>	<b>8.9%</b>	<b>19.3%</b>	<b>16.3%</b>	
<b>COLI</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	
Investment Properties Revaluation Gains in the P&L	1,320	1,989	3,020	3,651	3,438	
Investment Properties in the Balance Sheet	7,748	14,054	17,765	23,657	32,532	
<b>Investment Properties Revaluation Gains in the P&amp;L in the current year/Investment Properties in the Balance Sheet at end of previous year</b>	<b>20.5%</b>	<b>25.7%</b>	<b>21.5%</b>	<b>20.6%</b>	<b>14.5%</b>	
<b>CR Land</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	
Investment Properties Revaluation Gains in the P&L	2,295	2,850	3,240	4,001	7,168	
Investment Properties in the Balance Sheet	16,742	21,953	29,589	44,357	59,611	
<b>Investment Properties Revaluation Gains in the P&amp;L in the current year/Investment Properties in the Balance Sheet at end of previous year</b>	<b>23.0%</b>	<b>17.0%</b>	<b>14.8%</b>	<b>13.5%</b>	<b>16.2%</b>	
<b>Evergrande</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	
Investment Properties Revaluation Gains in the P&L	843	3,351	4,236	4,460	5,815	
Investment Properties in the Balance Sheet	3,131	10,117	18,919	24,942	36,039	
<b>Investment Properties Revaluation Gains in the P&amp;L in the current year/Investment Properties in the Balance Sheet at end of previous year</b>	<b>48.4%</b>	<b>107.0%</b>	<b>41.9%</b>	<b>23.6%</b>	<b>23.3%</b>	
<b>Greentown</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	
Investment Properties Revaluation Gains in the P&L	0	0	5	0.6	101	
Investment Properties in the Balance Sheet	25	1,725	1,730	1,731	1,832	
<b>Investment Properties Revaluation Gains in the P&amp;L in the current year/Investment Properties in the Balance Sheet at end of previous year</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.3%</b>	<b>0.0%</b>	<b>5.8%</b>	
<b>Kaisa</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	
Investment Properties Revaluation Gains in the P&L	290	2,970	433	501	729	
Investment Properties in the Balance Sheet	1,579	5,484	6,375	7,540	9,595	
<b>Investment Properties Revaluation Gains in the P&amp;L in the current year/Investment Properties in the Balance Sheet at end of previous year</b>	<b>22.7%</b>	<b>188.2%</b>	<b>7.9%</b>	<b>7.9%</b>	<b>9.7%</b>	

Source: Company, Deutsche Bank estimates



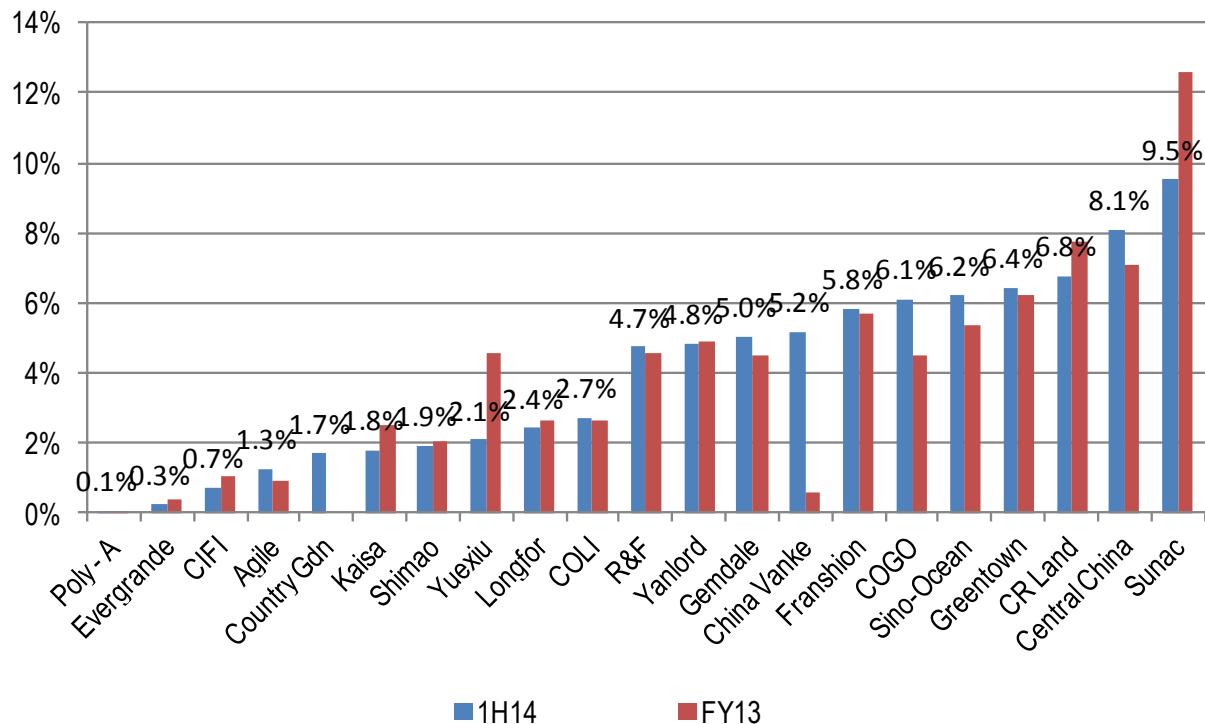
Figure 115: Investment property revaluation gains in the P&L and as a % of previous years' investment properties value in the balance sheet (Cont'd)

	2009	2010	2011	2012	2013
<b>KWG</b>					
Investment Properties Revaluation Gains in the P&L	61	4	326	643	541
Investment Properties in the Balance Sheet	3,501	3,462	4,234	5,255	6,135
<b>Investment Properties Revaluation Gains in the P&amp;L in the current year/Investment Properties in the Balance Sheet at end of previous year</b>	<b>1.7%</b>	<b>0.1%</b>	<b>9.4%</b>	<b>15.2%</b>	<b>10.3%</b>
<b>Longfor</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Investment Properties Revaluation Gains in the P&L	921	1,713	1,714	1,015	2,521
Investment Properties in the Balance Sheet	4,698	8,041	13,198	18,383	23,813
<b>Investment Properties Revaluation Gains in the P&amp;L in the current year/Investment Properties in the Balance Sheet at end of previous year</b>	<b>24.5%</b>	<b>36.5%</b>	<b>21.3%</b>	<b>7.7%</b>	<b>13.7%</b>
<b>R&amp;F</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Investment Properties Revaluation Gains in the P&L	604	1,110	436	660	2,436
Investment Properties in the Balance Sheet	10,332	12,462	12,688	13,347	15,888
<b>Investment Properties Revaluation Gains in the P&amp;L in the current year/Investment Properties in the Balance Sheet at end of previous year</b>	<b>8.2%</b>	<b>10.7%</b>	<b>3.5%</b>	<b>5.2%</b>	<b>18.3%</b>
<b>Shimao</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Investment Properties Revaluation Gains in the P&L	214	2,340	2,527	2,363	1,031
Investment Properties in the Balance Sheet	6,373	11,855	20,567	26,248	26,942
<b>Investment Properties Revaluation Gains in the P&amp;L in the current year/Investment Properties in the Balance Sheet at end of previous year</b>	<b>3.5%</b>	<b>36.7%</b>	<b>21.3%</b>	<b>11.5%</b>	<b>3.9%</b>
<b>Sino-Ocean</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Investment Properties Revaluation Gains in the P&L	709	567	513	1,535	808
Investment Properties in the Balance Sheet	3,984	4,989	5,462	7,202	10,302
<b>Investment Properties Revaluation Gains in the P&amp;L in the current year/Investment Properties in the Balance Sheet at end of previous year</b>	<b>35.7%</b>	<b>14.2%</b>	<b>10.3%</b>	<b>28.1%</b>	<b>11.2%</b>
<b>Sunac</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Investment Properties Revaluation Gains in the P&L	57	0	-76	19	4
Investment Properties in the Balance Sheet	584	584	552	571	252
<b>Investment Properties Revaluation Gains in the P&amp;L in the current year/Investment Properties in the Balance Sheet at end of previous year</b>	<b>13.1%</b>	<b>0.0%</b>	<b>-13.0%</b>	<b>3.4%</b>	<b>0.7%</b>
<b>Looking at well-established HK property companies</b>					
<b>SHKP</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Investment Properties Revaluation Gains in the P&L	(2,654)	16,469	25,070	19,482	19,187
Investment Properties in the Balance Sheet	158,593	184,001	212,863	233,867	258,849
<b>Investment Properties Revaluation Gains in the P&amp;L in the current year/Investment Properties in the Balance Sheet at end of previous year</b>	<b>-1.7%</b>	<b>10.4%</b>	<b>13.6%</b>	<b>9.2%</b>	<b>8.2%</b>
<b>Swire</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Investment Properties Revaluation Gains in the P&L	14,406	21,334	22,771	12,147	5,845
Investment Properties in the Balance Sheet	154,493	180,418	191,805	205,588	216,524
<b>Investment Properties Revaluation Gains in the P&amp;L in the current year/Investment Properties in the Balance Sheet at end of previous year</b>	<b>10.7%</b>	<b>13.8%</b>	<b>12.6%</b>	<b>6.3%</b>	<b>2.8%</b>

Source: Company, Deutsche Bank estimates



Figure 116: Implied gross rental yield – Annualized gross rental income/investment property value on balance sheet



Source: Company; Deutsche Bank

Our analysis shows effective net gearing at end-1H14 averaged at 2,385% vs. 70% as reported by managements

By adopting a more reasonable rental yield of 5% (i.e. the long-term rental yield on commercial properties in more mature markets in Asia like Hong Kong and Singapore) as to reflect a more realistic market value of the respective investment property portfolios, we find that the effective net gearing of some developers are meaningfully higher than the reported numbers.

Our approach is to deduct the difference between the value of the investment property portfolio reported on the balance sheet and our estimated fair values, and to make the corresponding adjustment to equity. In this exercise, we note that the effective net gearing levels of some developers are substantially higher than their respective reported numbers. For example, among the 21 Chinese developers in our analysis, the original average reported net gearing in 2013 and 1H14 were 60% and 70% respectively, but after our adjustments, the effective average net gearing in 2013 and 1H14 rose to 99% and 2,385% respectively. By taking out Evergrande, the effective average net gearing in 2013 and 1H14 were still meaningfully higher at 78% and 103% (versus reported numbers at 59% and 69%), respectively.

Among the developers we included in the analysis, we saw selected names with significant increases in effective net gearing by mid-14, namely Evergrande (to 48,027%), R&F (195%), CIFI (170%) and Kaisa (170%). On the other hand, we do not see that much changes in effective net gearing vs. reported net gearing for Gemdale, COLI, CR Land and COGO which in our view, highlight that their investment properties valuations have been more reasonable.



Figure 117: DB effective net gearing analysis

	Value of IP at 5% Gross Yield	Adj to IP on Balance Sheet	Adjusted Equity	Effective Net Gearing		Value of IP at 5% Gross Yield	Adj to IP on Balance Sheet	Adjusted Equity	Effective Net Gearing
COLI	20,840.0	(17,603.6)	101,947.6	46.0%		17,200.0	(15,332.0)	94,638.6	33.0%
CR Land	90,038.4	23,651.6	110,111.6	48.1%		92,440.0	32,828.6	117,630.7	31.2%
China Vanke	6,669.4	225.3	77,113.8	49.9%		760.0	(5,606.7)	71,289.3	44.8%
Poly - A	66.2	(4,558.9)	48,974.3	174.4%		60.0	(4,654.9)	47,108.0	138.7%
Country Garden	1,827.8	(3,534.8)	45,786.0	82.3%		-	(0.1)	43,953.5	70.1%
Longfor	15,103.5	(16,094.9)	23,824.4	121.9%		12,700.0	(11,113.0)	25,870.6	89.0%
Gemdale	10,200.0	46.0	28,475.1	87.6%		9,080.0	(958.0)	28,156.3	59.2%
Shimao	10,400.0	(16,736.4)	26,856.5	133.3%		11,120.0	(15,822.0)	25,920.3	114.8%
Evergrande	2,440.0	(45,737.0)	288.5	48027.2%		2,520.0	(33,519.0)	15,070.8	532.1%
R&F	16,520.0	(939.0)	30,690.0	194.9%		14,540.0	(1,348.0)	30,758.8	123.9%
Sino-Ocean	13,040.0	2,539.0	41,759.6	71.4%		11,080.0	778.0	38,302.9	56.9%
Agile	1,560.0	(4,594.0)	25,900.4	136.3%		1,080.0	(4,714.0)	24,652.2	127.0%
Greentown	2,360.0	528.0	22,909.9	132.4%		2,280.0	448.0	23,310.9	91.4%
Franshion	27,840.0	4,032.0	39,706.3	79.6%		24,976.0	2,957.5	36,519.4	57.5%
Yuexiu	5,040.0	(7,102.0)	18,520.3	90.5%		9,280.0	(939.0)	23,236.2	66.7%
Sunac	480.0	228.0	14,672.6	86.2%		633.9	381.9	13,987.2	90.8%
COGO	3,680.0	666.0	12,693.4	68.9%		2,700.0	(312.6)	10,992.2	49.2%
Yanlord	8,520.0	(281.0)	17,635.6	79.2%		8,540.0	(224.0)	17,705.6	57.6%
Kaisa	3,769.6	(6,690.8)	11,593.2	169.8%		4,820.0	(4,775.2)	12,522.4	108.0%
CIFI	741.8	(4,373.2)	4,666.7	170.3%		954.6	(3,695.8)	4,915.2	126.4%
Central China	600.0	229.1	6,435.4	41.8%		520.0	154.5	6,177.2	40.3%
<b>Average</b>			<b>2385.3%</b>						<b>99.0%</b>

Source: Company; Deutsche Bank



Figure 118: DB Effective net gearing on Chinese developers vs. gearing numbers reported by management

Company	Net Gearing numbers reported by management		Effective Net Gearing (adj for PCS, IP value, unpaid FY13 Dividends)	
	End-1H14	End-2013	End-1H14	End-2013
COLI	37.2%	28.4%	46.0%	33.0%
CR Land	55.4%	39.2%	48.1%	31.2%
China Vanke	36.4%	30.7%	49.9%	44.8%
Poly - A	158.6%	126.2%	174.4%	138.7%
Country Garden	67.1%	67.3%	82.3%	70.1%
Longfor	66.2%	57.9%	121.9%	89.0%
Gemdale	86.4%	57.2%	87.6%	59.2%
Shimao	58.4%	57.4%	133.3%	114.8%
Evergrande	89.6%	69.5%	48027.2%	532.1%
R&F	92.3%	110.8%	194.9%	123.9%
Sino-Ocean	60.0%	44.0%	71.4%	56.9%
Agile	82.0%	72.4%	136.3%	127.0%
Greentown	78.1%	60.1%	132.4%	91.4%
Franshion	58.0%	41.0%	79.6%	57.5%
Yuxiu	62.7%	61.6%	90.5%	66.7%
Sunac	66.7%	69.7%	86.2%	90.8%
COGO	72.7%	47.8%	68.9%	49.2%
Yanlord	52.3%	37.5%	79.2%	57.6%
Kaisa	72.5%	62.1%	169.8%	108.0%
CIFI	71.1%	67.6%	170.3%	126.4%
Central China	54.5%	50.3%	41.8%	40.3%
<b>Average</b>	<b>70.4%</b>	<b>59.8%</b>	<b>2385.3%</b>	<b>99.0%</b>
<b>Average ex Evergrande</b>	<b>69.4%</b>	<b>59.3%</b>	<b>103.2%</b>	<b>78.3%</b>
<b>Average ex SOEs</b>	<b>68.9%</b>	<b>60.7%</b>	<b>3305.6%</b>	<b>112.6%</b>
<b>Average ex SOEs &amp; Evergrande</b>	<b>67.4%</b>	<b>60.1%</b>	<b>111.2%</b>	<b>84.6%</b>

Source: Company; Deutsche Bank



# Top buys and top sells

## Top Picks: COLI, CSCEC, CR Land, China Merchants Properties, Kaisa, R&F

In summary, the positive demand and supply forces should support the recovery in the commodity residential market over the course of next 12 months. Our positive industry views are further supported by the current cheap valuations of the China property stocks.

Our top picks are those with:

- 1) a favorable landbank vintage (i.e. management has good market expertise in timing the market cycles), such as COLI, China Merchant Property and Kaisa;
- 2) the ability to obtain cheap financing, such as COLI, CR Land and China Merchant Property;
- 3) with good revenue diversification (like a sizeable and growing investment property portfolio), such as CR Land; and
- 4) attractive valuations, like CSCEC and R&F.

Looking long-term, as the profitability profile in the China property sector is likely to become tougher ahead, we believe there will be fewer long-term winners ahead (despite an expanded universe of listed companies). In particular, we believe a much higher degree of market expertise and the ability to obtain cheap financing are needed to achieve above-industry-average profitability. At the same time, with the on-going anti-corruption campaign of the central government and the recent corporate governance events on some Chinese developers, we believe that higher risk premiums should be applied to certain non-state-owned Chinese developers.

We retain Sells on Shimao, Evergrande, Country Garden, Agile, and Gembdale given high financial risk and/or margin pressure.



# Valuation – COLI

## Our estimated NAV for COLI is HK\$30.82/share

Our target price of HK\$27.74 for COLI is based on a 10% discount to our estimated NAV of HK\$30.82/share. Our estimated NAV for COLI is calculated by using a sum-of-the-parts methodology. We apply DCF to estimate the value of the company's development projects by taking the estimated cash inflows from property sales minus the outstanding costs, including any outstanding land costs, construction costs, related income taxes and the LAT for each of the development projects. With respect to the investment properties' valuation, we use the income capitalization approach, taking the estimated rental revenues of the investment properties divided by the estimated capitalization (cap) rates. For different types of properties in different locations, our estimated rents and cap rates differ. In arriving at the NAV for the company, we take the aggregate estimated value for the previously mentioned business segments and then add the company's net cash position or subtract its net debt position. Specifically, our estimated NAV of HK\$30.82/share incorporates the following assumptions:

- 1) ASP declines of 10-20% in Tier-1 and Tier-2 cities in 2014
- 2) Full payment of the LAT (estimated according to the LAT formula)
- 3) WACC of 8.7%
- 4) Cap rates of 5-8% for the investment properties.

Figure 119: COLI – Estimated NAV

	HK\$m	HK\$/Share	% of NAV	% of GAV
<b>Property Development</b>				
Residential	256,682	31.41	102%	91%
	<b>256,682</b>	<b>31.41</b>	<b>102%</b>	<b>91%</b>
<b>Property Investment</b>				
Retail	909	0.11	0%	0%
Office	24,387	2.98	10%	9%
Industrial	513	0.06	0%	0%
Car Parks	439	0.05	0%	0%
	<b>26,249</b>	<b>3.21</b>	<b>10%</b>	<b>9%</b>
Other Assets	272	0.03	0%	0%
<b>Gross Asset Value</b>	<b>283,202</b>	<b>34.65</b>	<b>112%</b>	<b>100%</b>
Net Debt	(31,288)	(3.83)	-12%	-11%
<b>NAV</b>	<b>251,914</b>	<b>30.82</b>	<b>100%</b>	<b>89%</b>

Source: Deutsche Bank



# Investment risks – COLI

## Macro risks

### Government property tightening measures might be stricter than expected

The China property market is not only dependent on economic conditions and the demand-and-supply balance, but also on government policies. At times when the government is tightening its fiscal and monetary policies, especially via administrative measures, there could be volatile moves in housing transaction volumes, housing prices, land prices, and financing available to developers and homebuyers. Recently, there have been signs that the tightening measures by the government have been reaccelerated, with potential new measures which would result in sales volume and property price declines in the physical property market, which could leave pressure on cash flows for developers. With this in mind, if the government property market tightening measures are stricter than expected, we could see weaker-than-expected sales and price performance for the property businesses of Chinese property companies, including COLI.

### Unexpected economic fluctuations in the Chinese economy

In our view, any weaker-than-expected performance in the Chinese economy would likely result in weaker housing demand, hence affecting Chinese developers' property sales. On the other hand, any overly strong growth in the Chinese economy could raise concerns about overheating and attract tightening measures. Therefore, any unexpected fluctuations in the Chinese economy would likely affect demand and supply in the China property market and the business of China property companies such as COLI.

## Company-specific risks

### Growing nationwide scale may put heavy pressure on management

COLI is now the top listed developers in China in terms of core net profit, and its development scale has continued to grow. As the scale grow bigger and bigger, the demand on management resources will also continue to grow, and such could put pressure on the execution of the management, and hence execution risks could rise in the future.



# Financial analysis

We expect stable earnings growth ahead

Figure 120: COLI – Income Statement (HK\$mn)

Year Ended Dec 31	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
Property Development	17,891	36,383	42,962	46,764	61,407	78,615	91,351	113,640	134,232
Property Investment	202	195	294	359	585	858	891	981	1,311
Property Management	-	566	679	-	-	-	-	-	-
Others	799	178	378	1,460	2,589	2,997	2,997	2,997	2,997
<b>Total turnover</b>	<b>18,892</b>	<b>37,322</b>	<b>44,313</b>	<b>48,583</b>	<b>64,581</b>	<b>82,469</b>	<b>95,239</b>	<b>117,618</b>	<b>138,539</b>
Property Development	6,731	10,476	16,697	20,025	22,854	26,729	33,050	38,233	46,150
Property Investment	175	160	268	312	496	766	748	824	1,101
Others	215	293	(66)	32	69	(1,127)	(678)	(976)	(1,058)
<b>EBIT</b>	<b>7,121</b>	<b>10,929</b>	<b>16,898</b>	<b>20,368</b>	<b>23,420</b>	<b>26,368</b>	<b>33,120</b>	<b>38,081</b>	<b>46,193</b>
Net Interest Income (Expenses)	(418)	(228)	(461)	(591)	(286)	(290)	(756)	(585)	(451)
Total Exceptional item	1,919	1,330	3,795	3,066	3,651	3,438	-	-	-
<b>Pre-tax profit</b>	<b>8,584</b>	<b>12,054</b>	<b>20,567</b>	<b>23,765</b>	<b>29,422</b>	<b>33,289</b>	<b>33,927</b>	<b>39,358</b>	<b>46,081</b>
Income Tax	(2,031)	(3,162)	(4,024)	(4,792)	(5,580)	(6,107)	(8,482)	(9,839)	(11,520)
LAT	(1,482)	(1,287)	(3,874)	(3,854)	(5,009)	(4,003)	(2,294)	(923)	(742)
Profit after-tax	5,071	7,604	12,669	15,119	18,833	23,179	23,151	28,595	33,819
Minority interests	(24)	(135)	(296)	(94)	(110)	(135)	(312)	(865)	(1,015)
<b>Net profit</b>	<b>5,048</b>	<b>7,469</b>	<b>12,373</b>	<b>15,025</b>	<b>18,722</b>	<b>23,044</b>	<b>22,839</b>	<b>27,730</b>	<b>32,803</b>
<b>Core Net Profit</b>	<b>3,726</b>	<b>6,504</b>	<b>9,504</b>	<b>13,020</b>	<b>15,800</b>	<b>18,960</b>	<b>22,839</b>	<b>27,730</b>	<b>32,803</b>
Core EPS	0.47	0.80	1.16	1.59	1.93	2.32	2.79	3.39	4.01
DPS	0.13	0.20	0.27	0.33	0.41	0.47	0.49	0.50	0.51

Source: Company, Deutsche Bank



Figure 121: COLI – Balance Sheet

As at Dec 31	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
Investment properties	6,428	7,748	14,054	17,765	23,657	32,532	32,532	32,532	32,532
Property, plant and equipment	276	249	319	338	976	1,371	1,371	1,371	1,371
Other non-current assets	235	213	232	218	341	352	298	308	309
<b>Non-Current Assets</b>	<b>6,938</b>	<b>8,209</b>	<b>14,605</b>	<b>18,321</b>	<b>24,974</b>	<b>34,255</b>	<b>34,201</b>	<b>34,211</b>	<b>34,212</b>
Deferred tax assets	485	651	1,191	1,845	2,074	2,277	2,277	2,277	2,277
Associates/JV	6,274	11,999	20,558	27,826	22,510	18,774	19,165	19,631	19,715
Inventories	53,982	50,451	84,466	97,503	111,776	164,399	203,525	222,999	226,646
Receivables	1,045	1,120	2,875	1,850	2,599	2,431	2,381	2,940	3,463
Bank balances & cash	9,006	23,863	32,023	19,179	40,880	41,411	26,206	23,556	30,040
Other current assets	7,847	17,825	6,531	9,452	25,012	32,975	26,666	31,141	35,326
<b>Current Assets</b>	<b>71,880</b>	<b>93,259</b>	<b>125,895</b>	<b>127,984</b>	<b>180,268</b>	<b>241,216</b>	<b>258,778</b>	<b>280,637</b>	<b>295,475</b>
Total assets	85,576	114,117	162,248	175,975	229,825	296,522	314,421	336,755	351,680
Payables	9,039	10,964	14,103	16,378	16,917	21,523	20,389	25,564	30,281
Short term bank loans	3,946	4,364	10,214	7,482	5,546	3,303	2,128	1,445	1,128
Other current liabilities	16,951	34,867	37,081	44,069	61,513	86,102	94,395	106,460	91,304
<b>Current Liabilities</b>	<b>29,936</b>	<b>50,195</b>	<b>61,398</b>	<b>67,929</b>	<b>83,975</b>	<b>110,928</b>	<b>116,913</b>	<b>133,470</b>	<b>122,713</b>
Long term bank loans	18,320	16,970	24,306	25,114	32,095	36,709	26,942	8,129	4,078
Other non-current liabilities	4,436	5,143	18,602	12,348	26,197	37,835	37,835	37,835	37,835
Non-current Liabilities	22,756	22,113	42,908	37,462	58,292	74,544	64,778	45,964	41,914
<b>Total Liabilities</b>	<b>52,692</b>	<b>72,308</b>	<b>104,306</b>	<b>105,391</b>	<b>142,268</b>	<b>185,472</b>	<b>181,690</b>	<b>179,434</b>	<b>164,626</b>
Minority interests	(335)	(283)	3,207	273	313	1,080	1,392	2,258	3,273
<b>Total Net Assets</b>	<b>32,884</b>	<b>41,810</b>	<b>57,942</b>	<b>70,585</b>	<b>87,557</b>	<b>111,050</b>	<b>132,730</b>	<b>157,321</b>	<b>187,054</b>
Capital and retained earnings	32,767	41,369	53,595	68,846	85,779	104,981	123,815	147,459	176,095
Other reserves	453	724	1,140	1,465	1,465	4,989	7,523	7,604	7,686
<b>Shareholders' Equity</b>	<b>33,220</b>	<b>42,093</b>	<b>54,735</b>	<b>70,312</b>	<b>87,244</b>	<b>109,971</b>	<b>131,338</b>	<b>155,064</b>	<b>183,781</b>
<b>Total Capital Employed</b>	<b>85,576</b>	<b>114,117</b>	<b>162,248</b>	<b>175,975</b>	<b>229,825</b>	<b>296,522</b>	<b>314,421</b>	<b>336,755</b>	<b>351,680</b>
NBV Per Share	4.23	5.15	6.70	8.60	10.68	13.46	16.07	18.97	22.49
Net Gearing	47%	22%	23%	33%	21%	28%	27%	12%	4%

Source: Company, Deutsche Bank



# Valuation – CR Land

## Our estimated NAV for CR Land is HK\$28.52/share

Our target price of HK\$22.82 is based on a 20% discount to our estimated NAV of HK\$28.52/share. We calculate our estimated NAV for CR Land using a sum-of-the-parts methodology. We apply DCF to estimate the value of the company's development projects by taking the estimated cash inflows from property sales minus the outstanding costs, including any outstanding land costs, construction costs, related income taxes and the LAT for each of the development projects. With respect to the investment properties' valuation, we use the income capitalization approach, taking the estimated rental revenues of the investment properties divided by the estimated capitalization (cap) rates. For different types of properties in different locations, our estimated rents and cap rates differ. In arriving at the NAV for the company, we take the aggregate estimated value for the previously mentioned business segments and then add the company's net cash position or subtract its net debt position. Specifically, our estimated NAV of HK\$28.52/share incorporates the following assumptions:

- 1) ASP declines of 10-20% in 2014
- 2) full payment of the LAT (estimated according to the LAT formula)
- 3) WACC of 8.9%
- 4) Cap rates of 8-10% for the investment properties.

Our est. NAV does not reflect any new asset injections from parent company.

Figure 122: CR Land – Estimated NAV

	HK\$m	HK\$/Share	% of NAV	% of GAV
<b>Property Development</b>				
Residential	89,113	15.28	53.6%	43.9%
Car park	190	0.03	0.1%	0.1%
Retail	307	0.05	0.2%	0.2%
	<b>89,611</b>	<b>15.37</b>	<b>53.9%</b>	<b>44.2%</b>
<b>Property Investment</b>				
Residential	2,126	0.36	1.3%	1.0%
Office	23,012	3.95	13.8%	11.3%
Retail	81,088	13.91	48.8%	40.0%
Hotel	14,527	2.49	8.7%	7.2%
Car park	740	0.13	0.4%	0.4%
	<b>121,493</b>	<b>20.84</b>	<b>73.1%</b>	<b>59.9%</b>
Construction & decoration	20	0.00	0.0%	0.0%
Other assets	179	0.03	0.1%	0.1%
Outstanding LAT payable	(8,341)	(1.43)	-5.0%	-4.1%
<b>Gross Asset Value</b>	<b>202,960</b>	<b>34.81</b>	<b>122.0%</b>	<b>100.0%</b>
Net debt	(36,662)	(6.29)	-22.0%	-18.1%
<b>NAV</b>	<b>166,298</b>	<b>28.52</b>	<b>100.0%</b>	<b>81.9%</b>

Source: Deutsche Bank estimates



# Investment risks – CR Land

## Macro risks

### Government property tightening measures might be stricter than expected

The China property market is not only dependent on economic conditions and the demand-and-supply balance, but also on government policies. At times when the government is tightening its fiscal and monetary policies, especially via administrative measures, there could be volatile moves in housing transaction volumes, housing prices, land prices, and financing available to developers and homebuyers. With this in mind, if the government property market tightening measures are stricter than expected or if the impact of the measures already introduced is stronger than expected, we could see weaker-than-expected sales and price performance for the property businesses of Chinese property companies, including CR Land.

### Unexpected economic fluctuations in the Chinese economy

In our view, any weaker-than-expected performance in the Chinese economy would likely result in weaker housing demand, hence affecting Chinese developers' property sales. On the other hand, any overly strong growth in the Chinese economy could raise concerns about overheating and attract tightening measures. Therefore, any unexpected fluctuations in the Chinese economy would likely affect demand and supply in the China property market and the business of China property companies such as CR Land.

## Company specific risks

### Execution on expanded landbank may take longer than expected

Owing to the boost in operating scale after a series of asset injections in the past, CR Land may not be able to meet the completion target, which may lower asset turnover. Although the company has a track record of receiving assets from the parent company at low cost, going forward the cost of injection may be higher-than-expected and hence potential NAV enhancement could be marginal. Also, asset injections may be executed on the basis of a share swap, through issuing new shares to the parent. Future asset injections may also rely on equity fund raising and that, in turn, may lead to share dilution.



# Financial analysis

We expect solid earnings growth ahead

Figure 123: CR Land – Income statement (HK\$m)

Year Ended Dec 31	2006	2007	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
Property Development	3,121	4,334	6,949	14,450	22,587	31,301	38,522	64,818	61,636	70,656	75,343
Property Investment	724	890	812	909	1,712	2,625	2,984	3,857	4,881	6,251	7,212
Property Management	92	97	319	383	352	598	736	772	811	851	894
Others	-	361	1,285	859	1,079	1,272	1,548	1,942	2,039	2,141	2,248
<b>Total Revenue</b>	<b>3,937</b>	<b>5,681</b>	<b>9,366</b>	<b>16,601</b>	<b>25,729</b>	<b>35,795</b>	<b>43,789</b>	<b>71,389</b>	<b>69,367</b>	<b>79,899</b>	<b>85,697</b>
Property Development	580	1,201	1,796	4,198	7,984	10,305	12,096	14,682	15,691	17,855	16,385
Property Investment	357	497	652	573	784	1,100	1,444	2,016	1,952	2,688	3,390
Property Management & Hotel Operations	-	-	-	-	(119)	(10)	(4)	(93)	(100)	(100)	(100)
Others	(71)	269	130	95	212	391	186	308	135	35	35
<b>EBIT</b>	<b>865</b>	<b>1,967</b>	<b>2,578</b>	<b>4,866</b>	<b>8,861</b>	<b>11,786</b>	<b>13,722</b>	<b>16,913</b>	<b>17,678</b>	<b>20,477</b>	<b>19,709</b>
Net interest income/expense	(103)	(73)	(64)	(49)	(242)	(385)	(670)	(146)	(2,032)	(1,214)	(1,040)
Share of results of associated cos.	12	68	97	41	48	45	414	310	169	339	780
Exceptional item	278	217	301	1,266	2,947	3,240	4,028	7,201	-	-	-
Pre-tax profit	1,052	2,178	2,912	6,125	11,615	14,687	17,495	24,278	15,816	19,603	19,449
Income Tax	(200)	(713)	(874)	(1,274)	(1,753)	(2,308)	(3,189)	(3,946)	(3,954)	(4,901)	(4,862)
LAT	-	-	-	-	(1,711)	(3,096)	(2,091)	(2,690)	(440)	(649)	(20)
Minority interests	7	(44)	(44)	(442)	(1,312)	(172)	(628)	(491)	(281)	(765)	(634)
<b>Net profit</b>	<b>859</b>	<b>1,421</b>	<b>1,994</b>	<b>4,409</b>	<b>6,026</b>	<b>8,384</b>	<b>10,569</b>	<b>14,696</b>	<b>11,141</b>	<b>13,288</b>	<b>13,933</b>
<b>Core profit</b>	<b>636</b>	<b>1,517</b>	<b>1,693</b>	<b>2,953</b>	<b>4,268</b>	<b>5,617</b>	<b>7,249</b>	<b>9,444</b>	<b>11,141</b>	<b>13,288</b>	<b>13,933</b>
Core EPS	0.20	0.42	0.39	0.60	0.84	1.02	1.24	1.62	1.91	2.28	2.39

Source: Company, Deutsche Bank estimates



Figure 124: CR Land – Balance sheet (HK\$m)

As at Dec 31	2006	2007	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
Investment properties	7,619	8,968	9,998	16,742	21,953	29,589	44,357	59,611	78,019	85,883	94,852
Deferred Taxation	369	374	399	471	482	711	431	387	387	387	387
Property, plant and equipment	818	3,683	2,274	2,579	3,299	4,070	4,971	5,882	5,882	5,882	5,882
Other non-current assets	-	50	632	453	3,321	8,502	1,853	4,298	4,298	4,298	4,298
<b>Non-current Assets</b>	<b>8,807</b>	<b>13,075</b>	<b>13,303</b>	<b>20,245</b>	<b>29,055</b>	<b>42,873</b>	<b>51,613</b>	<b>70,179</b>	<b>88,586</b>	<b>96,450</b>	<b>105,419</b>
Associates	734	831	996	907	968	775	2,353	2,921	3,048	3,303	3,887
Inventory	9,172	21,953	38,150	40,828	61,883	98,101	136,790	150,011	159,759	145,804	132,711
Deposits, debtors and prepayments	4,392	6,607	9,885	13,751	19,859	20,957	13,033	22,695	23,585	24,769	26,566
Cash and bank balances	3,358	4,517	5,659	19,514	11,972	15,368	21,953	28,239	18,360	25,650	28,152
Other current assets	276	502	625	1,339	1,899	2,513	2,514	7,712	7,758	7,830	7,868
<b>Current Assets</b>	<b>17,198</b>	<b>33,579</b>	<b>54,318</b>	<b>75,432</b>	<b>95,614</b>	<b>136,938</b>	<b>174,290</b>	<b>208,657</b>	<b>209,462</b>	<b>204,053</b>	<b>195,297</b>
<b>Total Assets</b>	<b>26,739</b>	<b>47,485</b>	<b>68,618</b>	<b>96,584</b>	<b>125,638</b>	<b>180,586</b>	<b>228,256</b>	<b>281,757</b>	<b>301,096</b>	<b>303,806</b>	<b>304,603</b>
Creditors and accruals	3,389	5,671	9,948	24,601	29,537	41,799	75,542	103,128	104,050	103,868	102,837
Payables	131	864	686	1,849	3,387	5,206	6,746	8,341	3,960	5,424	5,310
Short term loans	3,434	2,712	4,063	1,827	8,555	22,088	5,316	16,256	16,256	16,256	16,256
Other current liabilities	-	-	-	-	-	-	-	-	-	-	-
<b>Current Liabilities</b>	<b>8,182</b>	<b>9,874</b>	<b>18,878</b>	<b>29,664</b>	<b>43,747</b>	<b>71,230</b>	<b>98,947</b>	<b>131,760</b>	<b>128,301</b>	<b>129,582</b>	<b>128,437</b>
Bank loans	6,158	12,722	17,030	25,632	29,252	30,899	39,885	40,890	54,890	44,890	34,890
Bonds	-	-	-	-	-	7,754	7,735	7,755	7,755	7,755	7,755
Other non-current liabilities	666	1,277	1,648	2,289	3,223	4,341	5,189	7,765	7,765	7,765	7,765
<b>Non-current Liabilities</b>	<b>6,824</b>	<b>13,999</b>	<b>18,678</b>	<b>27,920</b>	<b>32,476</b>	<b>42,993</b>	<b>52,809</b>	<b>56,410</b>	<b>70,410</b>	<b>60,410</b>	<b>50,410</b>
<b>Total Liabilities</b>	<b>15,006</b>	<b>23,873</b>	<b>37,556</b>	<b>57,584</b>	<b>76,223</b>	<b>114,223</b>	<b>151,756</b>	<b>188,170</b>	<b>198,711</b>	<b>189,992</b>	<b>178,847</b>
Minority Interests	220	1,482	799	1,190	3,499	6,046	7,391	8,785	9,066	9,831	10,464
<b>Total Net Assets</b>	<b>11,513</b>	<b>22,129</b>	<b>30,263</b>	<b>37,810</b>	<b>45,916</b>	<b>60,316</b>	<b>69,109</b>	<b>84,802</b>	<b>93,319</b>	<b>103,983</b>	<b>115,292</b>
Capital and retained earnings	9,937	19,596	31,583	39,339	45,197	59,598	68,390	84,084	92,601	103,265	114,574
Other reserves	1,576	2,533	(1,319)	(1,529)	718	718	719	719	719	719	719
<b>Shareholders' funds</b>	<b>11,513</b>	<b>22,129</b>	<b>30,263</b>	<b>37,810</b>	<b>45,916</b>	<b>60,316</b>	<b>69,109</b>	<b>84,802</b>	<b>93,319</b>	<b>103,983</b>	<b>115,292</b>

Source: Company, Deutsche Bank estimates



# Valuation – CMPD

## Our estimated NAV for CMPD is RMB23.46/share

We base our target price of RMB16.42 on a 30% discount to our estimated NAV of RMB23.46/share. We calculate our estimated NAV for China Merchants Property Development (CMPD) by using a sum-of-the-parts methodology. We apply a DCF to estimate the value of the company's development projects by taking the estimated cash inflows from property sales minus the outstanding costs, including any outstanding land costs, construction costs, related income taxes and the LAT for each of the development projects. With respect to the investment properties' valuation, we use the income capitalization approach, taking the estimated rental revenues of the investment properties divided by the estimated capitalization (cap) rates. For different types of properties in different locations, our estimated rents and cap rates differ. In arriving at the NAV for the company, we take the aggregate estimated value for the previously mentioned business segments and then add the company's net cash position or subtract its net debt position.

Specifically, our estimated NAV of RMB23.46/share incorporates the following assumptions:

- 1) ASP declines of 10-20% in Tier-1 and Tier-2 cities in 2014;
- 2) Full payment of the LAT (estimated according to the LAT formula);
- 3) WACC of 8.8%; and
- 4) Cap rates of 8-10% for the investment properties.

Figure 125: China Merchants Property Development – Estimated NAV

	RMB mn	RMB/Share	% of NAV	% of GAV
<b>Property Development</b>				
Residential and commercial	58,314	22.64	96.5%	87.1%
	<b>58,314</b>	<b>22.64</b>	<b>96.5%</b>	<b>87.1%</b>
<b>Property Investment</b>				
Residential	1,344	0.52	2.2%	2.0%
Office	4,747	1.84	7.9%	7.1%
Retail	924	0.36	1.5%	1.4%
Hotel	347	0.13	0.6%	0.5%
Industry/Carpark/Others	1,293	0.50	2.1%	1.9%
	<b>8,655</b>	<b>3.36</b>	<b>14.3%</b>	<b>12.9%</b>
<b>Gross Asset Value</b>	<b>66,968</b>	<b>26.00</b>	<b>1.1</b>	<b>100.0%</b>
Net debt	(6,548)	-2.54	-10.8%	-9.8%
<b>NAV</b>	<b>60,420</b>	<b>23.46</b>	<b>100.0%</b>	<b>90.2%</b>

Source: Deutsche Bank



Figure 126: CMPD – WACC calculation

## WACC Calculation

Beta	1.00
Market Risk Premium	6.0%
Risk Free Rate	4.0%
Cost of Equity	10.0%
Cost of Debt	8.0%
Tax Rate	25.0%
Post-Tax Cost of Debt	6.0%
Equity/Asset Value	70%
Liabilities/Asset Value	30%
<b>WACC</b>	<b>8.8%</b>

Source: Deutsche Bank

## Target price based on a 30% discount to our estimate NAV

We base our target price of RMB16.42/share on a 30% discount to our fully-diluted NAV estimate of RMB23.46/share, which implies a 2014/15E PER of 8.1x/7.1x. Our target discount of 30% for CMPD is slightly wider than that for other state-owned developers like COLI (10% target discount), CR Land (20%) and Poly-A (20%) mainly as we account for CMPD's relatively smaller market cap and scale, and its listing in the Shenzhen A-share market (where the market dynamics are somewhat different from the HK stock market and that it may not directly benefit from the upcoming Shanghai-HK Stock Connect). Comparatively, our target NAV discount for CMPD is lower than other privately-owned peers, which we believe is appropriate, given its strong state-owned background, stronger financial positions, higher margins, and better-proven execution track record.

At the current share price, CMPD is trading at a 48% discount to our estimated NAV and at 6.0x/5.3x 2014E/2015E earnings.



# Investment risks – CMPD

## Macro risks

### Government property tightening measures

The China property market is dependent not only on economic conditions and the demand-and-supply balance, but also on government policies. During times when the government tightens its fiscal and monetary policies, especially via administrative measures, there could be extreme fluctuations in residential transaction volumes, housing prices, land prices and financing available to developers and homebuyers. These could result in marked declines in sales volume and property prices, which could adversely affect developers' cash flows.

### Unexpected economic fluctuations in the Chinese economy

Consistent softening in the Chinese economy would likely result in weaker housing demand ultimately, affecting developers' sales performance. On the other hand, any overly strong growth in the Chinese economy could raise concerns about overheating and might lead to the introduction of further tightening measures.

## Company-specific risks

**Potential margin compression as competition in Tier-1 and Tier-2 cities increase**  
CMPD focuses principally on Tier-1 and Tier-2 cities. As an increasing number of developers are put their focus back to Tier-1 and the bigger Tier-2 cities, competition on landbank and competition on property sales have continue to increase, resulting in higher land prices and potential downward pressure on housing prices. This could lead to bigger-than-expected margin compression of CMPD.



# Financial analysis – CMPD

We expect solid earnings growth ahead

Figure 127: China Merchants Property Development – Income Statement (RMBmn)

Year Ended Dec 31	2011	2012	2013	2014E	2015E	2016E
Sales	15,111	25,297	32,568	41,521	47,238	57,522
COGS	-7,995	-14,395	-20,900	-28,011	-32,202	-39,158
<b>Gross Profit</b>	<b>7,116</b>	<b>10,902</b>	<b>11,668</b>	<b>13,510</b>	<b>15,037</b>	<b>18,364</b>
SG&A	-856	-1,169	-1,327	-1,744	-2,031	-2,531
<b>EBIT</b>	<b>6,260</b>	<b>9,733</b>	<b>10,342</b>	<b>11,766</b>	<b>13,005</b>	<b>15,833</b>
Net interest expense	-148	-533	-861	-1,034	-1,004	-875
Associates	30	3	311	0	0	0
Other items	457	-215	899	274	258	233
<b>Pretax Profit</b>	<b>6,600</b>	<b>9,023</b>	<b>10,690</b>	<b>11,005</b>	<b>12,259</b>	<b>15,191</b>
Taxes	-3,287	-4,746	-5,182	-4,126	-4,484	-5,800
Minority interests	-721	-959	-1,306	-1,631	-1,844	-2,227
<b>Reported net profit</b>	<b>2,592</b>	<b>3,318</b>	<b>4,202</b>	<b>5,248</b>	<b>5,932</b>	<b>7,165</b>
<b>Core net profit</b>	<b>2,490</b>	<b>3,318</b>	<b>4,202</b>	<b>5,248</b>	<b>5,932</b>	<b>7,165</b>
Core EPS	0.97	1.29	1.63	2.04	2.30	2.78
DPS	0.20	0.30	0.48	0.40	0.46	0.56

Source: Company, Deutsche Bank

Figure 128: CMPD – Balance Sheet (RMBmn)

As at Dec 31 (RMB)	2011	2012	2013	2014E	2015E	2016E
Investment properties	3,267	3,117	5,662	6,018	6,410	6,842
Other non-current assets	1,642	3,008	5,526	5,526	5,526	5,526
Associates	815	0	0	0	0	0
<b>Total fixed assets</b>	<b>5,724</b>	<b>6,125</b>	<b>11,188</b>	<b>11,545</b>	<b>11,937</b>	<b>12,368</b>
Property under development	48,996	62,554	70,029	82,354	88,765	85,910
Completed properties for sale	2,435	11,084	11,240	13,294	10,159	5,530
Debtors & deposits	8,019	8,360	13,765	12,456	14,644	17,257
Cash & bank balance	14,484	18,239	24,240	22,037	19,058	19,547
Others	9	2,835	3,579	3,585	3,590	3,598
<b>Total assets</b>	<b>79,666</b>	<b>109,197</b>	<b>134,040</b>	<b>145,271</b>	<b>148,152</b>	<b>144,209</b>
Current liabilities	39,681	65,249	74,835	77,798	75,707	65,206
Long-term debt	15,621	14,378	20,055	22,474	20,857	19,456
Other non-current liabilities	0	131	124	124	124	124
Deferred tax	87	0	109	109	109	109
<b>Non-current liabilities</b>	<b>15,708</b>	<b>14,509</b>	<b>20,288</b>	<b>22,707</b>	<b>21,090</b>	<b>19,689</b>
<b>Minority interests</b>	<b>3,859</b>	<b>6,046</b>	<b>12,192</b>	<b>13,823</b>	<b>15,667</b>	<b>17,894</b>
Shareholders' equity	20,418	23,394	26,726	30,943	35,689	41,421
<b>Total liabilities and equity</b>	<b>79,666</b>	<b>109,197</b>	<b>134,040</b>	<b>145,271</b>	<b>148,152</b>	<b>144,209</b>

Source: Company, Deutsche Bank



Figure 129: CMPD – Cashflow Statement (RMBmn)

Year Ended Dec 31	2011	2012	2013	2014E	2015E	2016E
Profit before tax	6,581	9,023	10,690	11,005	12,259	15,191
Change in working capital	31,940	17,119	-4,691	-11,660	-3,543	-4,243
Other items	-40,670	-21,022	-5,503	-2,429	-4,827	-5,140
<b>Cashflow from operating activities</b>	<b>-2,148</b>	<b>5,119</b>	<b>496</b>	<b>-3,084</b>	<b>3,890</b>	<b>5,808</b>
Change in investment properties	-138	-319	-31	-356	-392	-431
Other investing items	6	-326	-716	0	0	0
<b>Cashflow from investing activities</b>	<b>-132</b>	<b>-645</b>	<b>-747</b>	<b>-356</b>	<b>-392</b>	<b>-431</b>
<b>Free cash flow</b>	<b>-2,280</b>	<b>4,475</b>	<b>-251</b>	<b>-3,440</b>	<b>3,498</b>	<b>5,377</b>
Equity financing	0	511	60	0	0	0
Debt financing	8,417	1,829	6,785	2,267	-5,291	-3,454
Others	-1,329	-2,236	-592	-1,030	-1,186	-1,433
<b>Cashflow from financing activities</b>	<b>7,088</b>	<b>104</b>	<b>6,253</b>	<b>1,236</b>	<b>-6,477</b>	<b>-4,887</b>
Increase in cash & bank balance	4,808	4,579	6,001	-2,204	-2,979	490
Beginning cash & bank balance	9,676	13,660	18,239	24,240	22,037	19,057
<b>Ending cash &amp; bank balance</b>	<b>14,484</b>	<b>18,239</b>	<b>24,240</b>	<b>22,037</b>	<b>19,057</b>	<b>19,547</b>

Source: Company, Deutsche Bank



# Valuation – Kaisa

Our NAV estimate is HK\$7.8/share

Figure 130: NAV breakdown

	(Rmb mn)	(HK\$ mn)	(HK\$/share)	%
<b><u>Development property</u></b>				
Shenzhen	9,133	10,960	2.23	28.6%
Guangzhou	3,299	3,958	0.81	10.3%
Foshan	1,790	2,148	0.44	5.6%
Dongguan	2,362	2,835	0.58	7.4%
Huizhou	4,832	5,799	1.18	15.2%
Zhuhai	1,539	1,847	0.38	4.8%
Chengdu	2,596	3,115	0.63	8.1%
Chongqing	189	227	0.05	0.6%
Nanchong	977	1,172	0.24	3.1%
Shenyang	2,072	2,486	0.51	6.5%
Yingkou	2,394	2,872	0.59	7.5%
Anshan	1,717	2,060	0.42	5.4%
Changsha	1,183	1,420	0.29	3.7%
Jiangyin	1,224	1,469	0.30	3.8%
Shanghai	4,578	5,493	1.12	14.4%
Benxi	642	771	0.16	2.0%
Panjin	385	462	0.09	1.2%
Weifang	261	313	0.06	0.8%
Wuhan	1,346	1,616	0.33	4.2%
Changzhou	611	733	0.15	1.9%
Qingdao	482	578	0.12	1.5%
Liaoyang	519	622	0.13	1.6%
Dandong	592	711	0.14	1.9%
Dalian	221	265	0.05	0.7%
Huludao	2,034	2,441	0.50	6.4%
Taizhou	295	354	0.07	0.9%
Zhuzhou	278	333	0.07	0.9%
Hangzhou	3,468	4,162	0.85	10.9%
	51,018	61,222	12.48	159.9%
<b><u>Investment property</u></b>				
Retail	8,264	9,917	2.02	25.9%
Car Park	91	109	0.02	0.3%
Office	989	1,187	0.24	3.1%
Hotel	379	454	0.09	1.2%
	9,723	11,668	2.38	30.5%
<b>Gross asset value (GAV)</b>	<b>60,741</b>	<b>72,889</b>	<b>14.86</b>	<b>190.4%</b>
Net cash / (debt)	(13,519)	(16,222)	(3.31)	-42.4%
Outstanding land premium	(11,060)	(13,272)	(2.71)	-34.7%
<b>Net asset value (NAV) - fully diluted</b>	<b>36,163</b>	<b>43,395</b>	<b>7.80</b>	<b>100.0%</b>

Source: Deutsche Bank estimates



We adopt NAV as our primary valuation metric, in line with residential-focus peers under our coverage. Our approach is based on sum-of-the-parts, where we use DCF for property developments for sale and direct capitalization approach for investment properties. We generally assume ASP to decline by 10-15% in 2014. However, we made project specific adjustments stemming from product mix/phase differences. We have adopted a discount rate of 12.7%, which is in line with our estimated WACC. Our fully-diluted NAV estimate is at HK\$7.8/share.

**Our target price of HK\$4.68 is based on 40% discount to our estimated NAV**

Our target price of HK\$4.68 is based upon a discount of 40% to our estimated NAV. Our target discount is markedly higher than industry leaders like COLI (at 10%) and CR Land (at 20%), which we believe is appropriate given its smaller business scale and short history as a listed company. As a cross check, our target price implies 2014/15 PER of 6x/5x, respectively.

At current share price, Kaisa is trading at 64% discount to our estimated NAV and just 4x 2014e earnings. Both measures are at a discount to industry average at 46% discount to NAV and 6x2014e earnings. With FY14 contracted sales expected to exceed the Rmb30bn threshold and core net profit to exceed Rmb3.5bn, we believe Kaisa deserves further scope of re-rating in 2014 as its merge as a more scaleable player in the industry, leading to a narrowing of NAV discount and higher PE multiple.

**Urban redevelopment projects on hand could boost NAV further by HK\$2/share**

Our current NAV estimate includes only landbanks that Kaisa has already obtained land titles and those that are in the process of receiving land titles upon payment of land premiums. Yet, Kaisa has already reached contractual agreements with relevant parties in numerous urban redevelopment projects with a total site area amounting to over 10mn sqm. We estimate that, these projects could potentially add over HK\$2/shr to our NAV estimate based on conservative assumptions, i.e. net profit of Rmb1,000/sqm (vs Kaisa's unit net profit of Rmb1,669/sqm, Rmb1,419/sqm and Rmb1,284/sqm for 2010-12, respectively) on 10mn sqm GFA, assuming a plot ratio of 1 (vs 2.5-3 for comparable redevelopment projects being approved previously).



# Investment risks – Kaisa

## Macro risks

### Unexpected economic fluctuations in the Chinese economy

In our view, any weaker-than-expected performance of the Chinese economy will likely result in weaker housing demand, hence affecting Chinese developers' property sales. On the other hand, any overly strong growth in the Chinese economy could raise concerns about overheating and attract cash-tightening measures. Therefore, any unexpected fluctuations in the Chinese economy will likely affect demand and supply in the China property market and the business of China property companies.

### Further government tightening policies targeted at the property sector

The government has repeatedly emphasized its desire to avoid an overheated property market. Introduction of new tightening policies/reinforcement of existing policies could adversely impact earnings and profitability for developers.

## Company-specific risks

### Exposure in cities with purchase restrictions

Kaisa has about 16.3% of its landbank located in cities where purchase restrictions are being imposed. As a result, sales performances in these cities could be materially affected.

### Expansion outside its home town could bring execution risk

Kaisa has previously focused mainly in the PRD region, difference in local practices in new cities that Kaisa enters could lead to unforeseeable operational and logistical challenges.

### Uncertainties related to urban redevelopment projects

Kaisa has experiences with urban redevelopment projects, however, these projects exhibits more uncertainties in nature, such as timing, resettlement cost, which may materially impact on Kaisa's financial performance.



# Financial analysis – Kaisa

Expect further margin expansion ahead

Figure 131: Income Statement (HK\$ mn)

Year to Dec 31	2011	2012	2013E	2014E	2015E	2016E
Property Sale - HK	1,992.5	11,563.1	6,989.3	3,886.8	5,412.6	5,864.2
Property Sale - China	718.9	1,541.3	3,070.1	4,478.1	4,285.6	5,954.9
Property Rentals - HK	648.4	711.2	753.9	829.3	854.1	871.2
Property Rentals - China	892.9	964.5	1,109.2	2,107.5	2,265.5	2,401.5
Hotel	225.8	279.6	282.4	1,129.5	1,140.8	1,152.2
Logistic Income	16,034.3	19,294.8	19,873.6	-	-	-
Project, Property Management and Others	147.5	158.6	159.4	160.2	161.0	161.8
<b>Total Turnover</b>	<b>20,660.4</b>	<b>34,513.0</b>	<b>32,237.9</b>	<b>12,591.3</b>	<b>14,119.7</b>	<b>16,405.8</b>
Cost of goods sold						
<b>Gross profit</b>	<b>4,999.3</b>	<b>8,784.6</b>	<b>7,928.0</b>	<b>7,117.7</b>	<b>6,976.6</b>	<b>7,594.8</b>
Administrative and other operating expenses	(1,649.9)	(1,842.7)	(1,721.2)	(1,807.3)	(1,988.0)	(2,186.8)
Depreciation	(349.0)	(391.3)	(461.6)	(464.5)	(467.3)	(472.9)
Other income and gains	247.2	99.1	128.9	132.8	136.7	140.8
Gross Interest Expenses	837.1	1,165.0	1,550.3	1,918.6	1,956.5	2,054.3
Capitalized Interest	(503.3)	(605.4)	(805.7)	(997.1)	(1,016.7)	(1,067.6)
Interest Income	228.4	292.5	307.2	322.5	338.7	355.6
Net Interest Expense/(Income)	105.4	267.0	437.5	599.0	601.1	631.1
<b>Operating Profit</b>	<b>3,142.2</b>	<b>6,382.8</b>	<b>5,436.6</b>	<b>4,379.7</b>	<b>4,056.9</b>	<b>4,444.8</b>
Associates	2,354.9	573.4	774.1	1,294.9	1,566.7	1,836.6
Exceptional Item	1,605.9	2,943.0	-	-	-	-
<b>Pre-tax Profit</b>	<b>7,103.0</b>	<b>9,899.2</b>	<b>6,210.7</b>	<b>5,674.6</b>	<b>5,623.7</b>	<b>6,281.4</b>
Total taxation	(1,234.0)	(1,791.3)	(1,304.3)	(1,361.9)	(1,349.7)	(1,444.7)
<b>Profit After-tax Before Minority Interests</b>	<b>5,869.0</b>	<b>8,108.0</b>	<b>4,906.5</b>	<b>4,312.7</b>	<b>4,274.0</b>	<b>4,836.7</b>
Minority Interests	(521.3)	(1,147.7)	(565.2)	(646.9)	(566.7)	(683.4)
<b>Net attributable profit</b>	<b>5,347.7</b>	<b>6,960.2</b>	<b>4,341.3</b>	<b>3,665.8</b>	<b>3,707.3</b>	<b>4,153.2</b>
<b>Core Net Profit</b>	<b>3,741.8</b>	<b>4,017.2</b>	<b>4,341.3</b>	<b>3,665.8</b>	<b>3,707.3</b>	<b>4,153.2</b>
Core EPS - Fully diluted	2.52	2.71	2.92	2.47	2.50	2.80
DPS (HK\$)	0.87	0.95	0.87	0.80	0.85	0.95

Source: Deutsche Bank estimates



Figure 132: Balance Sheet (HK\$ mn)

Year To 31 Dec	2011	2012	2013E	2014E	2015E	2016E
<b>Fixed Assets</b>	<b>86,266.8</b>	<b>101,906.3</b>	<b>118,041.0</b>	<b>119,953.1</b>	<b>122,150.0</b>	<b>124,630.1</b>
Investment Properties	42,329.7	47,484.4	57,033.8	57,156.0	57,278.2	57,400.5
Other property, plant and equipment	5,873.6	6,626.3	6,825.1	7,029.8	7,240.7	7,458.0
Properties Under Development - LT	20,947.9	23,970.1	29,361.9	29,424.8	29,487.7	29,550.7
Leasehold land and land use rights	537.5	531.8	547.7	564.2	581.1	598.5
Land Deposit	1,606.5	6,586.8	6,784.4	6,987.9	7,197.5	7,413.4
Long-term receivables	55.0	237.3	244.5	251.8	259.4	267.1
Intangible Assets	1,308.2	1,896.3	1,896.3	1,896.3	1,896.3	1,896.3
Associates	11,717.1	12,422.8	13,196.9	14,491.8	16,058.6	17,895.1
Other Investments	1,891.3	2,150.4	2,150.4	2,150.4	2,150.4	2,150.4
<b>Current Assets</b>	<b>37,102.5</b>	<b>35,223.8</b>	<b>32,273.2</b>	<b>27,213.3</b>	<b>29,549.2</b>	<b>32,956.7</b>
Property Under Development - ST	9,509.3	5,474.2	4,383.2	4,642.9	4,902.7	3,040.5
Completed Properties For Sale	2,700.1	5,062.8	4,053.8	4,294.0	4,534.3	2,812.0
Tax Recoverable	247.2	261.9	261.9	261.9	261.9	261.9
Accounts rec, prepayments and deposits	6,836.1	8,074.4	7,542.2	2,945.8	3,303.3	3,838.2
Listed Investments	235.8	284.9	299.2	314.1	329.8	346.3
Restricted cash and bank deposit	1,443.3	1,905.0	2,000.3	2,100.3	2,205.3	2,315.5
Short term bank deposit	28.5	6.1	6.4	6.7	7.0	7.4
Bank Balances & Cash	16,102.0	14,154.5	13,726.4	12,647.6	14,004.9	20,334.9
<b>Current Liabilities</b>	<b>20,490.9</b>	<b>16,201.5</b>	<b>18,833.5</b>	<b>12,726.5</b>	<b>13,547.8</b>	<b>14,687.7</b>
Bank Overdrafts	15.5	26.1	18.8	20.6	22.7	25.0
Banks and Other S-T Loans	5,362.2	2,539.1	6,168.4	6,476.9	6,800.7	7,140.8
Convertible Bonds	2,734.2	-	-	-	-	-
Accounts payable, deposits received	10,444.2	11,323.9	10,577.4	4,131.3	4,632.7	5,382.8
Taxation	1,934.9	2,312.4	2,068.9	2,097.7	2,091.6	2,139.1
<b>Total Net Assets less current liabilities</b>	<b>102,878.3</b>	<b>120,928.7</b>	<b>131,480.7</b>	<b>134,439.9</b>	<b>138,151.5</b>	<b>142,899.2</b>
<b>Long Term Liabilities</b>	<b>24,554.1</b>	<b>32,073.0</b>	<b>39,093.1</b>	<b>39,009.0</b>	<b>39,610.4</b>	<b>40,755.7</b>
Long Term Bank Loans	15,821.8	19,214.1	26,153.1	25,985.3	26,500.6	27,557.3
Fixed Rate Bonds	5,561.5	10,153.1	10,153.1	10,153.1	10,153.1	10,153.1
Amount due to minority shareholders	3,002.4	2,548.5	2,624.9	2,703.7	2,784.8	2,868.3
Retirement benefit obligations	168.3	157.3	162.0	166.9	171.9	177.1
<b>Minority Interests</b>	<b>10,526.6</b>	<b>13,562.1</b>	<b>14,118.2</b>	<b>14,754.8</b>	<b>15,312.4</b>	<b>15,984.9</b>
<b>Deferred Taxation</b>	<b>3,875.1</b>	<b>4,501.8</b>	<b>4,501.8</b>	<b>4,501.8</b>	<b>4,501.8</b>	<b>4,501.8</b>
Issued Share Capital	1,438.4	1,439.1	1,439.9	1,439.9	1,439.9	1,439.9
Share Premium Account	12,190.6	12,208.7	12,209.4	12,209.4	12,209.4	12,209.4
Retained Profits	35,017.1	40,804.3	43,886.6	46,397.7	48,881.6	51,664.2
Capital & Other Reserves	14,600.3	15,548.2	15,548.2	15,548.2	15,548.2	15,548.2
Proposed Dividend	676.0	791.5	683.4	579.1	647.8	795.0
<b>Shareholders' Funds</b>	<b>63,922.5</b>	<b>70,791.8</b>	<b>73,767.5</b>	<b>76,174.3</b>	<b>78,726.9</b>	<b>81,656.7</b>
<b>Total Capital Employed</b>	<b>102,878.3</b>	<b>120,928.7</b>	<b>131,480.7</b>	<b>134,439.9</b>	<b>138,151.5</b>	<b>142,899.2</b>

Source: Deutsche Bank estimates



# Valuation – CSCEC

## Our estimated NAV for CSCEC

As CSCEC is a property and construction conglomerate, we believe that an NAV-based valuation approach will be more appropriate. Our target price of RMB5.55 is based on a 30% discount to our estimated NAV of RMB7.93/share. Our estimated NAV for CSCEC is calculated by using a sum-of-the-parts methodology, and incorporates the following assumptions:

- 1) For CSCEC's stake in COLI (0688.HK), we use our est. NAV for COLI, derived from applying DCF to estimate the value of COLI's development projects by taking the estimated cash inflows from property sales minus outstanding costs, including any outstanding land costs, construction costs, related income taxes and the LAT for each of the projects.
- 2) For CSCEC's stake in CSCI (3311.HK), we are using our estimated NAV for CSCI, derived from our DCF analysis.
- 3) For CSCEC's own construction businesses, we are applying a P/E multiple of 7x on our 2014E earnings from those businesses - which is consistent with the average 2014E P/E multiple of the key China construction companies listed in HK.
- 4) For CSCEC's financial assets for trading and investment purposes, we are using the latest reported value in the balance sheet.

In arriving at the NAV for the company, we take the aggregate estimated value for these business segments of CSCEC and then subtract its net debt position.

Figure 133: CSCEC – Estimated NAV

	RMBmn	RMB/Share	% of NAV	% of GAV
<b>Listed Subsidiaries</b>				
COLI	105,366	3.51	44%	37%
CSCI	25,986	0.87	11%	9%
	<b>131,352</b>	<b>4.38</b>	<b>55%</b>	<b>46%</b>
<b>Construction Businesses</b>				
Property construction	93,913	3.13	39%	33%
Infrastructure construction and investment	38,760	1.29	16%	14%
Design and surveying	4,384	0.15	2%	2%
Others	3,631	0.12	2%	1%
	<b>140,688</b>	<b>4.69</b>	<b>59%</b>	<b>50%</b>
<b>Other Assets</b>				
Trading financial instruments	815	0.03	0%	0%
Long-term financial investments	1,320	0.04	1%	0%
CSC Real Estate	8,813	0.29	4%	3%
	<b>10,948</b>	<b>0.36</b>	<b>5%</b>	<b>4%</b>
<b>Gross Asset Value</b>	<b>282,989</b>	<b>9.43</b>	<b>119%</b>	<b>100%</b>
Net Debt	(44,947)	(1.50)	-19%	-16%
<b>NAV</b>	<b>238,042</b>	<b>7.93</b>	<b>100%</b>	<b>84%</b>

Source: Deutsche Bank



Figure 134: Key estimates for CSCEC – DB vs consensus

	2014E	2015E
<b>EPS</b>		
Consensus	0.79	0.91
DB estimate	0.78	0.91
- DB vs consensus	-1%	0%
<b>DPS</b>		
Consensus	0.16	0.18
DB estimate	0.16	0.18
- DB vs consensus	0%	0%
<b>Target Price</b>		
Consensus	4.50	
DB estimate	5.55	
- DB vs consensus	23%	

Source: Bloomberg Finance LLP, Deutsche Bank

#### Target price based on a 30% discount to our estimate NAV

We base our target price of RMB5.55/share on a 30% discount to our NAV estimate of RMB7.93/share, and this target price implies a 2014/15E PER of 7x/6x. Our target discount of 30% for CSCEC is slightly wider than that for state-owned developers like COLI (10% target discount), CR Land (20%) and Poly-A (20%) mainly as we account for conglomerates nature of CSCI, which normally carry holding company discounts against the listed subsidiaries or associates held.

At the current share price, CSCEC is trading at a 58% discount to our estimated NAV and at 4.3x/3.7x 2014E/2015E earnings, hence we see current valuations as attractive. We expect CSCEC also to benefit from the comprehensive reform in the A-share market and the upcoming Shanghai-Hong Kong Stock Connect, which are expected to help narrow the sizeable valuation gaps currently between the domestically listed A-shares and the H-share counterparts and subsidiaries (like CSCI in the case of CSCEC) listed in Hong Kong.



# Investment risks – CSCEC

## Macro risks

### Government property tightening measures

During times when the government tightens its fiscal/monetary policies, especially via administrative measures, there could be extreme fluctuations in property volumes, housing prices, land prices and financing available to developers/homebuyers. These could result in declines in sales volume and property prices and adversely affect cash flows.

### Unexpected economic fluctuations in the Chinese economy

Consistent softening in the Chinese economy would likely result in weaker housing demand ultimately, affecting developers' sales performance. On the other hand, any overly strong growth in the Chinese economy could raise concerns about overheating and might lead to the introduction of further tightening measures.

## Company-specific risks

### Risks associated with collection of accounts receivable

The counterparties of CSCEC's construction business include different government organizations and private parties, and normally construction works are completed before full payment. Depending on economic conditions and financial positions of the counterparties, there could be delays or defaults on the payments to CSCEC.



# Financial analysis – CSCEC

We expect solid earnings growth for 2014-2016

Figure 135: CSCEC – Income statement (RMB mn)

Year ended Dec 31	2009	2010	2011	2012	2013	2014E	2015E	2016E
<b>Total Revenue</b>	<b>260,396</b>	<b>370,418</b>	<b>491,290</b>	<b>571,516</b>	<b>681,048</b>	<b>810,156</b>	<b>938,996</b>	<b>1,039,526</b>
Cost of Goods Sold	(228,747)	(325,650)	(432,185)	(501,835)	(600,220)	(718,274)	(833,573)	(920,214)
Business Taxes and VAT	(10,050)	(15,123)	(19,181)	(22,057)	(24,739)	(29,429)	(34,109)	(37,761)
Selling Expenses	(748)	(932)	(967)	(1,299)	(1,662)	(1,978)	(2,292)	(2,537)
Administrative Expenses	(6,857)	(9,195)	(11,479)	(13,402)	(14,549)	(17,307)	(20,060)	(22,207)
Net Finance Expense	(866)	(954)	(2,879)	(4,125)	(5,407)	(5,415)	(6,037)	(6,566)
Asset Impairment Losses	(668)	(1,304)	(796)	(2,613)	(1,666)	(1,700)	(1,734)	(1,768)
Fair Value Changes	(72)	(25)	(218)	201	33	33	34	34
Profit from Investments	338	1,556	1,785	2,996	5,374	7,523	9,780	11,736
- From JV and associates	295	610	1,415	2,713	3,598	-	-	-
<b>Operating Profit</b>	<b>12,726</b>	<b>18,790</b>	<b>25,371</b>	<b>29,381</b>	<b>38,210</b>	<b>43,608</b>	<b>51,005</b>	<b>60,241</b>
Non-Operating Gains	719	1,371	998	951	875	893	911	929
Non-Operating Expenses	(128)	(521)	(205)	(171)	(286)	(292)	(298)	(304)
- Losses on non-current assets	(57)	(39)	(166)	(23)	(30)	-	-	-
<b>Pretax Profit</b>	<b>13,317</b>	<b>19,640</b>	<b>26,164</b>	<b>30,161</b>	<b>38,799</b>	<b>44,209</b>	<b>51,618</b>	<b>60,866</b>
Income Tax	(3,810)	(4,925)	(6,718)	(7,384)	(9,465)	(10,831)	(12,646)	(14,912)
<b>Profit after tax</b>	<b>9,506</b>	<b>14,715</b>	<b>19,446</b>	<b>22,777</b>	<b>29,333</b>	<b>33,378</b>	<b>38,971</b>	<b>45,954</b>
Minority Interests	3,414	5,478	5,802	7,041	8,935	10,013	11,691	13,786
<b>Reported Net Profit</b>	<b>6,092</b>	<b>9,237</b>	<b>13,644</b>	<b>15,735</b>	<b>20,399</b>	<b>23,364</b>	<b>27,280</b>	<b>32,168</b>
Dividend	870	1,860	2,400	3,150	4,290	4,673	5,456	6,434
<b>Retained Earnings</b>	<b>5,222</b>	<b>7,377</b>	<b>11,244</b>	<b>12,585</b>	<b>16,109</b>	<b>18,692</b>	<b>21,824</b>	<b>25,734</b>
Reported EPS - Basic	0.26	0.31	0.45	0.52	0.68	0.78	0.91	1.07
Reported EPS - Fully-diluted	0.26	0.31	0.45	0.52	0.67	0.78	0.91	1.07
DPS	0.03	0.06	0.08	0.11	0.14	0.16	0.18	0.21

Source: Company, Deutsche Bank



Figure 136: CSCEC – Statement of financial position (RMB mn)

As at Dec 31	2009	2010	2011	2012	2013	2014E	2015E	2016E
<b>Current Assets</b>								
Cash and Bank Balances	79,206	82,099	89,951	117,360	123,401	156,998	182,861	217,694
Financial Investments for Trading	1,043	1,097	780	1,006	815	815	815	815
Notes Receivable	259	644	2,282	7,188	15,686	20,254	21,597	23,909
Accounts Receivable	39,285	48,064	67,485	81,164	83,594	97,219	112,680	124,743
Prepayments	27,685	17,823	22,624	31,547	34,011	40,459	46,893	51,913
Interests Receivable	-	-	168	110	299	122	122	122
Dividends Receivable	25	8	8	136	16	16	16	16
Other Receivable	11,266	9,514	10,311	16,548	18,459	20,254	23,475	25,988
Inventory	58,653	115,679	211,578	254,382	322,382	364,570	422,548	467,787
- Including completed but not recognized	33,142	44,274	61,073	78,616	94,977	-	-	-
Non-current Assets Expiring in 1 year	2,490	3,199	5,443	8,285	10,561	12,152	14,085	15,593
Other Current Assets	1,018	2,757	4,628	4,255	7,314	8,912	10,329	11,435
<b>Total Current Assets</b>	<b>254,072</b>	<b>325,157</b>	<b>415,258</b>	<b>521,981</b>	<b>616,537</b>	<b>721,771</b>	<b>835,420</b>	<b>940,015</b>
<b>Non-current Assets</b>								
Available-for-sale Financial Assets	497	1,329	1,348	1,389	1,320	1,320	1,320	1,320
Long-term Receivables	12,617	23,024	38,164	56,152	82,392	89,117	98,595	103,953
Long-term Equity Investments	6,031	15,658	21,151	23,026	21,354	21,354	21,354	21,354
Investment Properties	4,421	8,225	8,156	11,565	16,939	20,151	23,355	25,856
Fixed Assets	10,523	11,169	14,033	16,864	20,572	30,329	42,301	55,340
Contracts under Construction	1,068	3,054	3,188	4,001	5,685	6,763	7,839	8,678
Intangible Assets	4,231	6,028	6,895	8,223	9,042	10,532	12,207	13,514
Goodwill	1,555	1,494	1,449	1,917	1,895	1,895	1,895	1,895
Expenses to be Amortized	129	127	134	1,036	808	606	404	202
Deferred Taxes	994	1,734	3,115	4,409	4,831	5,305	6,194	7,304
Other Non-current Assets	-	539	620	1,129	2,443	3,241	3,756	4,158
<b>Total Non-current Assets</b>	<b>42,067</b>	<b>72,382</b>	<b>98,252</b>	<b>129,713</b>	<b>167,284</b>	<b>190,613</b>	<b>219,220</b>	<b>243,573</b>
<b>Total Assets</b>	<b>296,139</b>	<b>397,539</b>	<b>513,510</b>	<b>651,694</b>	<b>783,821</b>	<b>912,384</b>	<b>1,054,640</b>	<b>1,183,589</b>
<b>Current Liabilities</b>								
Short-term Debts	8,195	10,612	26,451	27,710	21,794	28,355	32,865	36,383
Notes Payable	4,411	5,045	10,576	11,080	11,123	13,231	15,335	16,977
Accounts Payable	72,258	100,455	138,775	182,563	214,948	255,696	296,360	328,088
Deposits from Customers	38,203	43,798	58,733	80,837	113,144	121,523	140,849	155,929
- Including contracts recognized but not completed	7,524	9,528	12,468	14,408	16,638	20,254	23,475	25,988
Salaries Payable	1,664	2,328	3,039	3,738	4,022	4,785	5,546	6,139
Taxes Payable	11,253	18,804	24,584	26,101	31,872	37,914	43,944	48,649
Interests Payable	56	235	687	1,171	1,619	1,619	1,619	1,619
Dividends Payable	60	80	80	73	461	467	546	643
Other Payables	13,388	17,005	23,333	25,896	33,623	39,997	46,358	51,321
Non-current Debts Expiring in 1 year	7,897	13,268	15,038	22,354	23,724	28,221	32,709	36,211
Other non-current Liabilities	23	26	339	4,206	10,603	12,613	14,619	16,184
<b>Total Current Liabilities</b>	<b>164,932</b>	<b>221,184</b>	<b>301,636</b>	<b>385,730</b>	<b>466,933</b>	<b>544,422</b>	<b>630,749</b>	<b>698,144</b>

Source: Company, Deutsche Bank



Figure 136: CSCEC – Statement of financial position (RMB mn) (Cont'd)

<b>Non-current liabilities</b>								
Long-term Debts	21,692	33,684	46,096	66,984	77,677	87,677	97,677	107,677
Bonds Payable	11,476	28,062	35,880	46,751	62,195	72,195	82,195	92,195
Long-term Payables	5,860	5,340	7,719	10,897	9,954	11,841	13,724	15,193
Specific payables	72	19	35	40	36	43	50	55
Deferred Income	162	982	-	-	-	-	-	-
Expected Liabilities	45	201	374	353	255	303	351	389
Deferred Tax Liabilities	696	3,780	710	744	1,522	1,768	2,065	2,435
Other non-current liabilities	16	1,025	1,569	642	685	815	945	1,046
<b>Total non-current Liabilities</b>	<b>40,018</b>	<b>73,095</b>	<b>92,383</b>	<b>126,410</b>	<b>152,325</b>	<b>174,643</b>	<b>197,007</b>	<b>218,990</b>
<b>Total Liabilities</b>	<b>204,950</b>	<b>294,279</b>	<b>394,018</b>	<b>512,140</b>	<b>619,258</b>	<b>719,065</b>	<b>827,757</b>	<b>917,134</b>
<b>Shareholders' Equity</b>								
Share Capital	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Share Premium	33,255	30,011	31,207	30,298	29,380	29,380	29,380	29,380
Reserves	35	12	721	39	32	32	32	32
Revenue Reserves	248	407	32	1,024	1,574	1,574	1,574	1,574
Retained Earnings	8,547	16,068	26,570	39,557	56,178	74,870	96,694	122,428
Foreign Exchanges Reserve	223	712	1,014	942	872	872	872	872
<b>Total Shareholders' Equity</b>	<b>72,308</b>	<b>77,210</b>	<b>89,543</b>	<b>101,858</b>	<b>118,037</b>	<b>136,728</b>	<b>158,552</b>	<b>184,287</b>
Minority Interests	18,880	26,051	29,949	37,696	46,527	56,590	68,332	82,168
<b>Total Equity</b>	<b>91,188</b>	<b>103,260</b>	<b>119,492</b>	<b>139,554</b>	<b>164,564</b>	<b>193,318</b>	<b>226,884</b>	<b>266,454</b>
<b>Total Capital Employed</b>	<b>296,139</b>	<b>397,539</b>	<b>513,510</b>	<b>651,694</b>	<b>783,821</b>	<b>912,384</b>	<b>1,054,640</b>	<b>1,183,589</b>
Net Gearing	-35%	11%	49%	56%	62%	53%	49%	39%
<b>BV Per Share</b>	<b>2.41</b>	<b>2.57</b>	<b>2.98</b>	<b>3.40</b>	<b>3.93</b>	<b>4.56</b>	<b>5.29</b>	<b>6.14</b>

Source: Company, Deutsche Bank



Figure 137: CSCEC – Cashflow statement (RMB mn)

Year ended Dec 31	2009	2010	2011	2012	2013	2014E	2015E	2016E
<b>Profit after Tax</b>	<b>9,506</b>	<b>14,715</b>	<b>19,446</b>	<b>22,777</b>	<b>29,333</b>	<b>33,378</b>	<b>38,971</b>	<b>45,954</b>
Asset impairment loss	668	1,304	796	2,613	1,666	1,700	1,734	1,768
Fixed assets depreciation	1,584	2,183	2,653	3,195	3,616	-	-	-
Investment properties depreciation	160	281	181	175	278	-	-	-
Amortization of intangible assets	65	79	151	218	314	-	-	-
Amortization of long-term expenses	33	40	54	236	395	-	-	-
Gains from disposal of non-current assets	(47)	(58)	(10)	(133)	(141)	-	-	-
Finance expenses	1,514	2,094	3,798	5,385	6,994	5,415	6,037	6,566
Fair value changes	72	25	218	(201)	(33)	(33)	(34)	(34)
Investment gains	(338)	(1,556)	(1,785)	(2,996)	(5,374)	(7,523)	(9,780)	(11,736)
Change in deferred tax assets	(220)	(740)	(1,328)	(1,294)	(536)	(474)	(889)	(1,110)
Change in deferred tax liabilities	385	(953)	164	(30)	341	246	296	370
Change in inventory	(499)	(44,275)	(58,328)	(43,696)	(60,096)	(42,188)	(57,978)	(45,238)
Change in completed but unrecognized amounts	(6,872)	(11,259)	-	-	-	-	-	-
Change in recognize but not yet completed amounts	1,604	2,004	-	-	-	-	-	-
Change in restricted cash	-	-	(1,283)	(2,721)	(1,143)	-	-	-
Change in accounts receivables	(25,925)	(3,897)	(31,118)	(32,215)	(46,531)	(13,625)	(15,461)	(12,064)
Change in accounts payables	31,730	37,569	58,922	53,071	73,518	40,748	40,664	31,729
Others	66	799	737	(1,990)	15	1,703	14,106	9,742
Adjustment to tax paid	-	-	-	-	-	6,042	6,030	4,705
<b>Operating Cash Flow</b>	<b>13,486</b>	<b>(1,645)</b>	<b>(6,732)</b>	<b>2,393</b>	<b>2,619</b>	<b>25,389</b>	<b>23,695</b>	<b>30,651</b>
<b>Net Cash Flow from Investment Activities</b>	<b>(9,016)</b>	<b>(27,626)</b>	<b>(24,324)</b>	<b>(13,230)</b>	<b>(8,370)</b>	<b>(16,999)</b>	<b>(19,638)</b>	<b>(13,241)</b>
<b>Financing Activities</b>								
Subtotal financing cash inflows	77,735	71,868	73,792	104,995	92,880	33,417	31,352	28,912
Subtotal financing cash outflows	(37,327)	(39,918)	(37,320)	(69,444)	(81,806)	(8,210)	(9,547)	(11,489)
<b>Net Cash Flow from Financing Activities</b>	<b>40,408</b>	<b>31,951</b>	<b>36,472</b>	<b>35,551</b>	<b>11,074</b>	<b>25,207</b>	<b>21,805</b>	<b>17,423</b>
Foreign exchange impacts on cashflow	(15)	(308)	(360)	(26)	(425)	-	-	-
<b>Change in Cash and Cash Equivalents</b>	<b>44,863</b>	<b>2,372</b>	<b>5,056</b>	<b>24,688</b>	<b>4,898</b>	<b>33,598</b>	<b>25,862</b>	<b>34,833</b>
<b>Ending Cash and Cash Equivalents</b>	<b>78,276</b>	<b>80,648</b>	<b>87,164</b>	<b>111,852</b>	<b>116,750</b>	<b>156,998</b>	<b>182,861</b>	<b>217,694</b>

Source: Company, Deutsche Bank



# Valuation – R&F

## Our estimated NAV for R&F is HK\$22.51

Our target price of HK\$13.50 for R&F is based on a 40% discount to our estimated NAV of HKD22.51/share. Our estimated NAV for R&F is calculated by using a sum-of-the-parts methodology. We apply DCF to estimate the value of the company's development projects by taking the estimated cash inflows from property sales minus the outstanding costs, including any outstanding land costs, construction costs, related income taxes and the LAT for each of the development projects. With respect to the investment properties' valuation, we use the income capitalization approach, taking the estimated rental revenues of the investment properties divided by the estimated capitalization (cap) rates. For different types of properties in different locations, our estimated rents and cap rates differ. In arriving at the NAV for the company, we take the aggregate estimated value for the previously mentioned business segments and then add the company's net cash position or subtract its net debt position.

Specifically, our estimated NAV of HK\$22.51/ share incorporates the following assumptions:

- 1) ASP declines of 10-20% in 2014,
- 2) Full payment of the LAT (estimated according to the LAT formula),
- 3) WACC of 10.4%, and
- 4) Cap rates of 7-8% for the investment properties.

Figure 138: R&F – Estimated NAV

	HK\$m	HK\$/Share	% of NAV	% of GAV
<b>Property Development</b>				
Residential	93,652	29.06	129.1%	80.0%
Office	3,850	1.19	5.3%	3.3%
	<b>97,502</b>	<b>30.26</b>	<b>134.4%</b>	<b>83.3%</b>
<b>Property Investment</b>				
Retail	13,954	4.33	19.2%	11.9%
Office	6,281	1.95	8.7%	5.4%
Hotels	9,552	2.96	13.2%	8.2%
	<b>29,787</b>	<b>9.24</b>	<b>41.1%</b>	<b>25.4%</b>
<b>Other Assets</b>				
LAT Payables	(10,236)	(3.18)	-14.1%	-8.7%
Other Assets	(10,236)	(3.18)	-14.1%	-8.7%
<b>Gross Asset Value</b>	<b>117,053</b>	<b>36.33</b>	<b>161.4%</b>	<b>100.0%</b>
Net Debt	(44,524)	(13.82)	-61.4%	-38.0%
<b>NAV</b>	<b>72,528</b>	<b>22.51</b>	<b>100.0%</b>	<b>62.0%</b>

Source: Deutsche Bank



# Investment risks – R&F

## Macro risks

### Government property tightening measures might be stricter than expected

The China property market is not only dependent on economic conditions and the demand-and-supply balance, but also on government policies. At times when the government is tightening its fiscal and monetary policies, especially via administrative measures, there could be volatile moves in housing transaction volumes, housing prices, land prices, and financing available to developers and homebuyers. With this in mind, if the government property market tightening measures are stricter than expected, we could see weaker-than-expected sales and price performance for the property businesses of Chinese property companies, including R&F.

### Unexpected economic fluctuations in the Chinese economy

In our view, any weaker-than-expected performance in the Chinese economy would likely result in weaker housing demand, hence affecting Chinese developers' property sales. On the other hand, any overly strong growth in the Chinese economy could raise concerns about overheating and attract tightening measures. Therefore, any unexpected fluctuations in the Chinese economy would likely affect demand and supply in the China property market and the business of China property companies such as R&F.

## Company-specific risks

### Restricted ability to raise new equity and bond financing

As R&F is an H-share company, any new equity financing and fixed income financing, both inside and outside China, would require the approval from the relevant regulatory bodies in China, like CSRC or CBRC. Currently, as the central government is tightening on the property market, such approval for fundraising by a property developer like R&F is unlikely to be granted. Therefore, the ability of R&F to raise new equity and bond financing is being restricted, which could potentially affect its financing when a crisis event takes place.



# Financial analysis – R&F

We expect net gearing to fall to below 140% by end-2014

For Year Ended Dec 31	2006	2007	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
Property development	10,108	14,461	14,729	16,984	22,972	25,390	28,057	33,651	36,488	40,510	40,297
Rental income	79	97	157	278	375	491	628	727	845	868	887
Construction services income	-	214	290	530	684	731	849	992	1,076	1,194	1,188
Hotels	-	-	183	404	610	758	830	901	1,081	1,297	1,556
<b>Total Revenue</b>	<b>10,187</b>	<b>14,772</b>	<b>15,360</b>	<b>18,196</b>	<b>24,642</b>	<b>27,370</b>	<b>30,365</b>	<b>36,271</b>	<b>39,490</b>	<b>43,870</b>	<b>43,928</b>
Property development	3,221	5,614	4,995	5,374	8,700	10,757	12,154	13,666	14,431	14,811	16,795
Rental income	55	68	160	225	323	400	512	509	592	608	621
Hotels	-	-	(21)	83	177	200	219	180	216	259	311
Construction services	366	154	45	68	94	100	116	136	147	164	163
<b>Unallocated Costs</b>	<b>(30)</b>	<b>(43)</b>	<b>-</b>	<b>(248)</b>	<b>(35)</b>	<b>(50)</b>	<b>(180)</b>	<b>(115)</b>	<b>(250)</b>	<b>(300)</b>	<b>(350)</b>
Gross Profit	3,613	5,792	5,178	5,502	9,258	11,407	12,821	14,376	15,136	15,542	17,540
SG&A	431	688	1,275	1,349	1,547	1,924	2,401	2,465	2,919	3,241	3,224
<b>EBIT</b>	<b>3,182</b>	<b>5,104</b>	<b>3,903</b>	<b>4,152</b>	<b>7,711</b>	<b>9,482</b>	<b>10,420</b>	<b>11,911</b>	<b>12,217</b>	<b>12,301</b>	<b>14,316</b>
Net financing cost	(50)	(74)	(293)	(456)	(863)	(1,010)	(1,353)	(1,782)	(2,584)	(2,650)	(2,458)
Share results of associates	-	(0)	7	(2)	(68)	99	316	306	883	2,203	870
Exceptional item	-	-	-	1,165	1,291	597	660	2,436	-	-	-
<b>PBT</b>	<b>3,132</b>	<b>5,029</b>	<b>3,617</b>	<b>4,859</b>	<b>8,070</b>	<b>9,168</b>	<b>10,042</b>	<b>12,872</b>	<b>10,516</b>	<b>11,853</b>	<b>12,728</b>
Taxation	(987)	(2,024)	(1,569)	(1,937)	(3,614)	(4,333)	(4,382)	(5,226)	(4,079)	(4,108)	(4,687)
Minority interests	-	(12)	(19)	(22)	(106)	7	(157)	(12)	-	-	-
<b>Net profit</b>	<b>2,145</b>	<b>2,993</b>	<b>2,030</b>	<b>2,900</b>	<b>4,351</b>	<b>4,842</b>	<b>5,502</b>	<b>7,634</b>	<b>6,437</b>	<b>7,745</b>	<b>8,040</b>

Source: Company, Deutsche Bank Estimates



Figure 139: Guangzhou R&F – Statement of Financial Position (RMB mn)

As at Dec 31	2006	2007	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
Properties under development for sale	5,878	12,357	10,858	30,325	29,067	33,088	39,427	56,111	67,329	68,977	102,374
Completed Properties held for sale	1,789	3,943	6,420	4,715	4,768	6,036	7,964	10,993	11,882	12,172	18,066
Trade and other receivables	1,023	4,655	3,915	4,553	7,229	7,581	7,609	13,163	9,872	10,968	10,982
Cash and bank balances	2,018	2,287	2,053	7,887	9,168	9,026	12,862	24,344	8,595	21,513	35,502
Other current assets	3,018	5,920	7,142	1,225	1,819	1,678	1,620	1,954	1,954	1,954	1,954
<b>Total current assets</b>	<b>13,726</b>	<b>29,163</b>	<b>30,388</b>	<b>48,706</b>	<b>52,052</b>	<b>57,408</b>	<b>69,483</b>	<b>106,565</b>	<b>99,633</b>	<b>115,585</b>	<b>168,878</b>
Properties and equipment	1,311	2,390	3,367	3,494	4,119	4,125	5,489	6,567	6,272	5,963	5,638
Investment properties	926	5,367	7,361	10,332	12,462	12,688	13,347	15,888	15,888	15,888	15,888
Trade and other receivables	182	1,901	366	461	2,610	2,210	1,624	1,450	1,450	1,450	1,450
Associates and JE	-	441	672	911	3,523	3,620	3,975	4,382	9,320	2,475	6,351
Other non-current assets	10,456	14,935	12,814	2,440	2,651	4,108	4,669	5,495	5,495	5,495	5,495
<b>Total non-current assets</b>	<b>12,875</b>	<b>25,033</b>	<b>24,579</b>	<b>17,638</b>	<b>25,365</b>	<b>26,750</b>	<b>29,104</b>	<b>33,782</b>	<b>38,426</b>	<b>31,271</b>	<b>34,823</b>
<b>Total assets</b>	<b>26,601</b>	<b>54,196</b>	<b>54,968</b>	<b>66,344</b>	<b>77,417</b>	<b>84,159</b>	<b>98,587</b>	<b>140,347</b>	<b>138,059</b>	<b>146,856</b>	<b>203,701</b>
Short-term bank loans	3,408	7,367	9,488	6,867	7,185	10,093	7,212	18,095	17,182	16,881	16,627
Accruals and other payables	5,428	13,342	11,629	11,842	11,929	16,629	20,179	27,453	23,416	23,439	21,790
Other current liabilities	4,251	6,542	6,117	11,366	15,480	14,055	13,165	13,778	12,806	17,793	71,877
<b>Total current liabilities</b>	<b>13,086</b>	<b>27,252</b>	<b>27,235</b>	<b>30,075</b>	<b>34,594</b>	<b>40,777</b>	<b>40,557</b>	<b>59,327</b>	<b>53,405</b>	<b>58,113</b>	<b>110,293</b>
Bank loans	4,508	12,533	10,983	17,523	20,669	18,285	28,420	43,353	42,146	40,424	39,046
Other non-current liabilities	479	1,711	1,785	1,727	2,155	2,364	2,781	4,186	4,186	4,186	4,186
<b>Total non-current liabilities</b>	<b>4,987</b>	<b>14,244</b>	<b>12,767</b>	<b>19,250</b>	<b>22,824</b>	<b>20,649</b>	<b>31,201</b>	<b>47,538</b>	<b>46,332</b>	<b>44,610</b>	<b>43,232</b>
<b>Total liabilities</b>	<b>18,073</b>	<b>41,496</b>	<b>40,002</b>	<b>49,325</b>	<b>57,418</b>	<b>61,427</b>	<b>71,757</b>	<b>106,865</b>	<b>99,737</b>	<b>102,723</b>	<b>153,525</b>
Minority interests	281	74	93	106	212	207	364	1,375	1,375	1,375	1,375
<b>Total net assets</b>	<b>8,247</b>	<b>12,626</b>	<b>14,873</b>	<b>16,914</b>	<b>19,788</b>	<b>22,526</b>	<b>26,466</b>	<b>32,107</b>	<b>36,946</b>	<b>42,758</b>	<b>48,800</b>
<b>Shareholders' funds</b>	<b>8,247</b>	<b>12,626</b>	<b>14,873</b>	<b>16,914</b>	<b>19,788</b>	<b>22,526</b>	<b>26,466</b>	<b>32,107</b>	<b>36,946</b>	<b>42,758</b>	<b>48,800</b>

Source: Company, Deutsche Bank Estimates

Figure 140: Guangzhou R&F – Cash Flow Statement (RMB mn)

For Year Ended Dec 31	2006	2007	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
Profit before tax	2,145	5,315	2,048	2,921	4,456	4,835	5,659	7,646	6,437	7,745	8,040
Non cash adjustments	710	(219)	1,193	1,569	3,584	4,979	5,054	4,634	4,404	3,170	4,878
Working capital changes	(5,154)	(10,548)	(1,296)	3,685	397	(4,206)	(7,776)	(17,687)	(5,108)	4,724	15,300
Tax paid	(843)	(1,611)	(618)	(1,610)	(2,677)	(3,241)	(3,203)	(706)	(8,408)	(2,387)	(2,443)
Interest paid	(284)	(880)	(1,531)	(1,351)	(1,519)	(1,709)	(2,049)	(3,646)	(5,302)	(5,425)	(5,150)
<b>Net cash from operation</b>	<b>(3,425)</b>	<b>(7,943)</b>	<b>(203)</b>	<b>5,215</b>	<b>4,242</b>	<b>658</b>	<b>(2,316)</b>	<b>(9,759)</b>	<b>(7,977)</b>	<b>7,827</b>	<b>20,625</b>
Capex	(574)	(1,086)	(1,109)	278	(875)	(392)	(778)	(1,358)	-	-	(0)
Disposal / purchase	(1,564)	(169)	1,328	(141)	(2,863)	456	(93)	(2,367)	(4,056)	9,048	(3,007)
Others	-	-	-	(2,511)	148	(615)	3,177	-	-	-	-
<b>Net cash from investing activities</b>	<b>(2,138)</b>	<b>(1,256)</b>	<b>219</b>	<b>(2,373)</b>	<b>(3,590)</b>	<b>(551)</b>	<b>2,305</b>	<b>(3,725)</b>	<b>(4,056)</b>	<b>9,048</b>	<b>(3,007)</b>
Equity raised	1,611	-	-	-	-	-	-	-	-	-	-
Net change in borrowings	4,641	10,584	571	3,917	2,111	1,943	5,507	26,974	(2,119)	(2,024)	(1,632)
Dividends paid	(826)	(1,157)	(821)	(924)	(1,482)	(2,027)	(1,659)	(2,008)	(1,597)	(1,933)	(1,998)
Others	(37)	40	-	-	-	(166)	(1)	-	-	-	-
<b>Net cash from financing activities</b>	<b>5,388</b>	<b>9,467</b>	<b>(249)</b>	<b>2,993</b>	<b>628</b>	<b>(250)</b>	<b>3,847</b>	<b>24,967</b>	<b>(3,716)</b>	<b>(3,957)</b>	<b>(3,630)</b>
<b>Net change in cash and cash equivalents</b>	<b>(175)</b>	<b>268</b>	<b>(234)</b>	<b>5,834</b>	<b>1,281</b>	<b>(142)</b>	<b>3,836</b>	<b>11,483</b>	<b>(15,749)</b>	<b>12,918</b>	<b>13,988</b>
<b>Beginning cash</b>	<b>2,193</b>	<b>2,018</b>	<b>2,287</b>	<b>2,053</b>	<b>7,887</b>	<b>9,168</b>	<b>9,026</b>	<b>12,862</b>	<b>24,344</b>	<b>8,595</b>	<b>21,513</b>
FX change	-	-	-	-	-	-	-	-	-	-	-
<b>Ending cash</b>	<b>2,018</b>	<b>2,287</b>	<b>2,053</b>	<b>7,887</b>	<b>9,168</b>	<b>9,026</b>	<b>12,862</b>	<b>24,344</b>	<b>8,595</b>	<b>21,513</b>	<b>35,502</b>

Source: Company, Deutsche Bank Estimates



# Taking a look at valuations

Figure 141: Sector discount to NAV



Figure 142: Sector discount to NAV (MktCap weighted)



Figure 143: Sector P/E

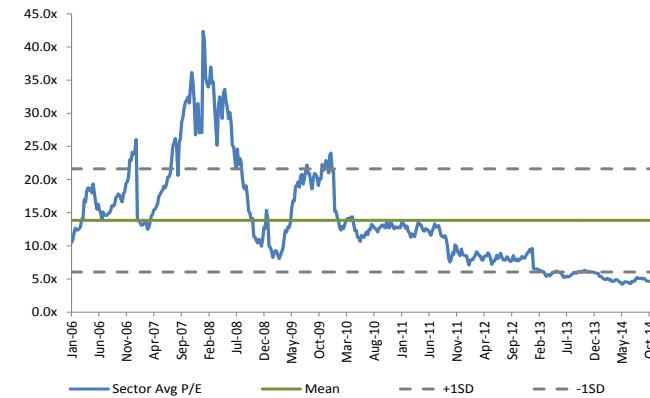


Figure 144: Sector P/E (MktCap weighted)

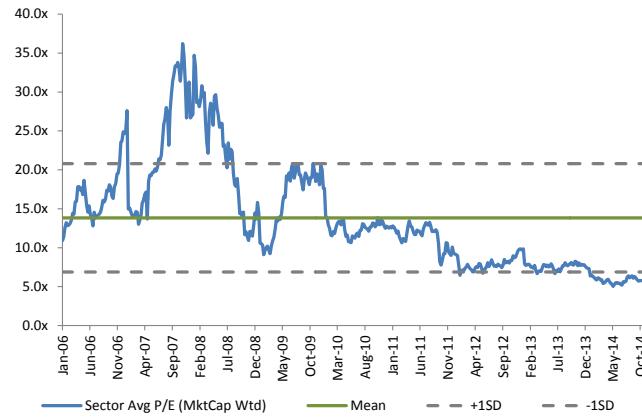


Figure 145: Sector P/B

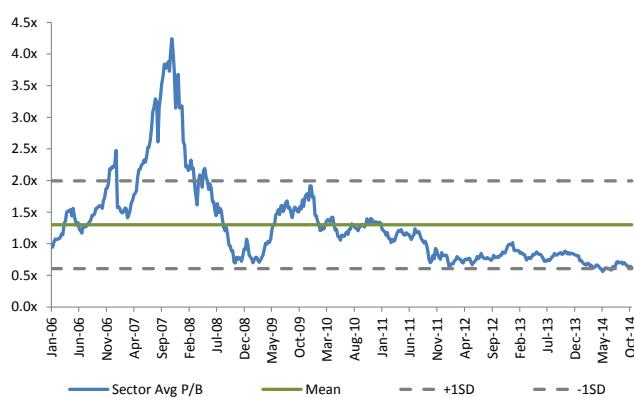
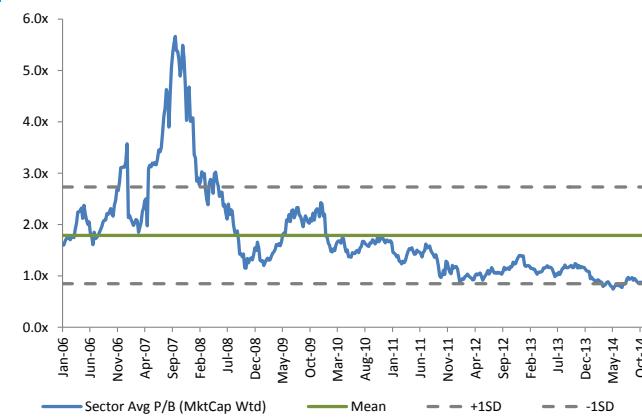


Figure 146: Sector P/B (MktCap weighted)





## Historical NAV discount of individual stocks

Figure 147: Agile – Discount to NAV

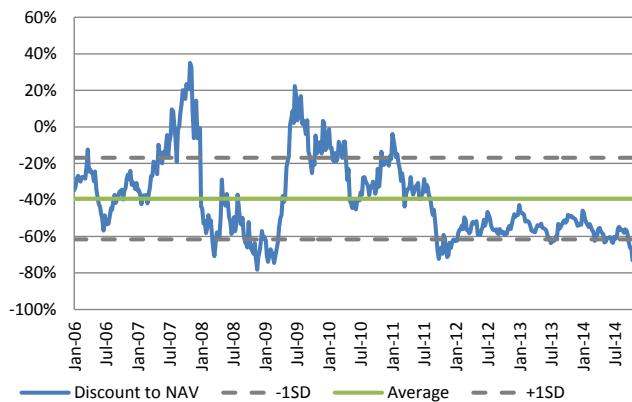


Figure 148: Central China – Discount to NAV



Figure 149: China Vanke – Discount to NAV

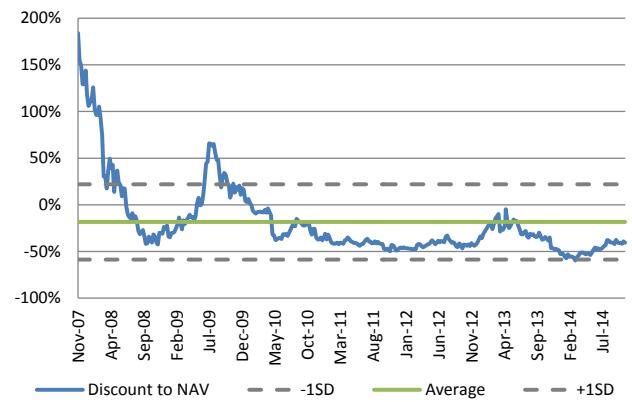


Figure 150: COLI – Discount to NAV

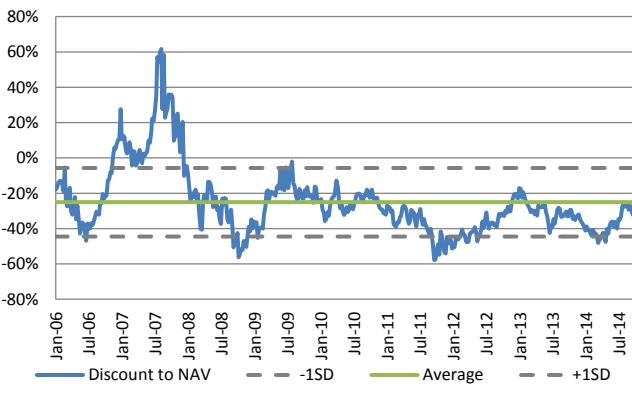


Figure 151: COGO – Discount to NAV



Figure 152: CSCI – Discount to NAV





Figure 153: CR Land – Discount to NAV

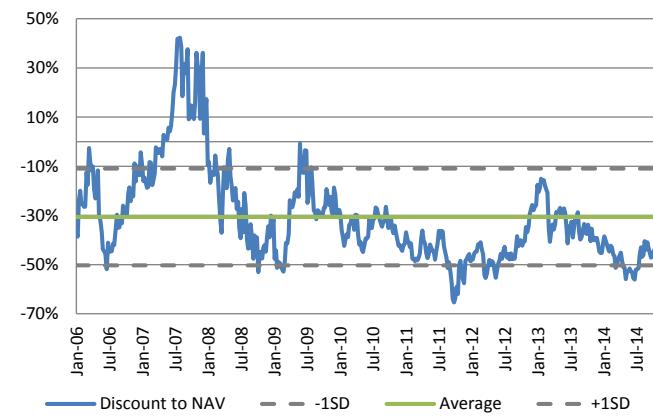


Figure 154: Country Garden – Discount to NAV

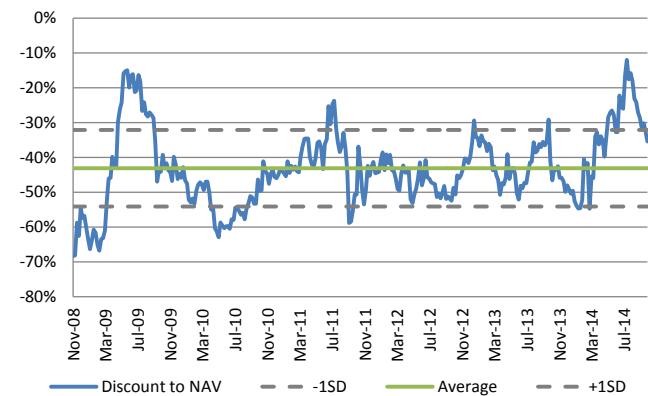


Figure 155: Evergrande – Discount to NAV

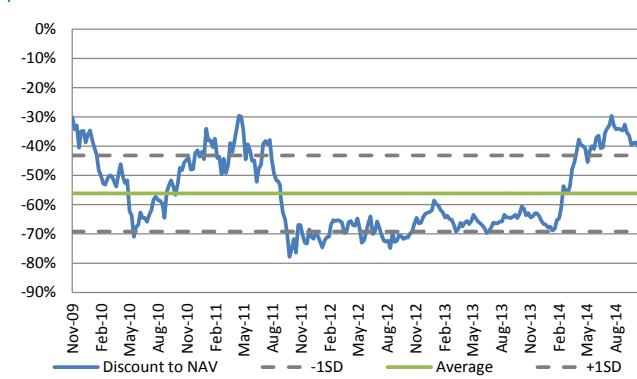


Figure 156: Franshion – Discount to NAV

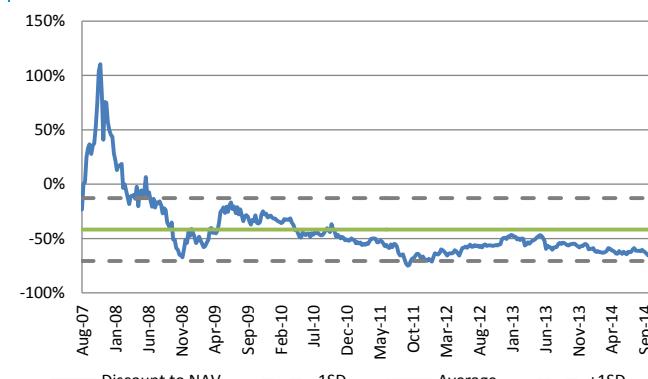


Figure 157: Greentown – Discount to NAV

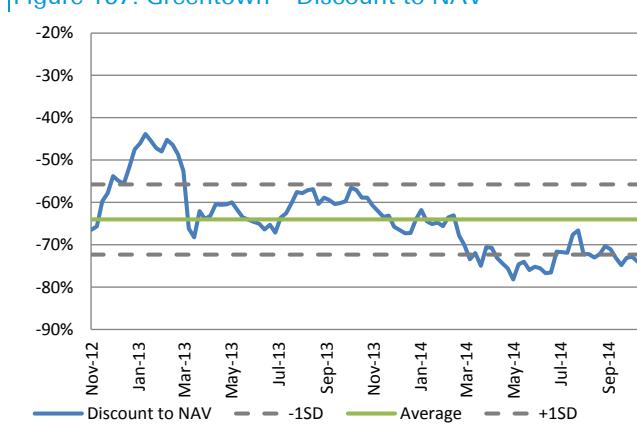


Figure 158: Kaisa – Discount to NAV

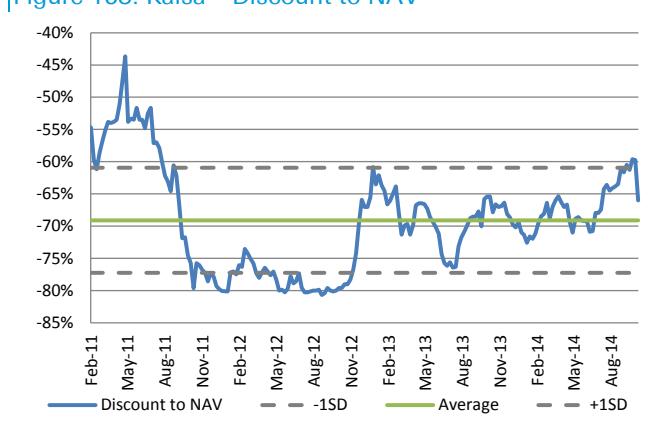
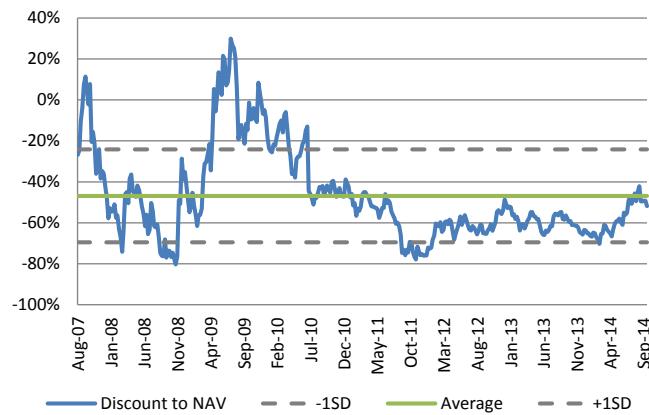


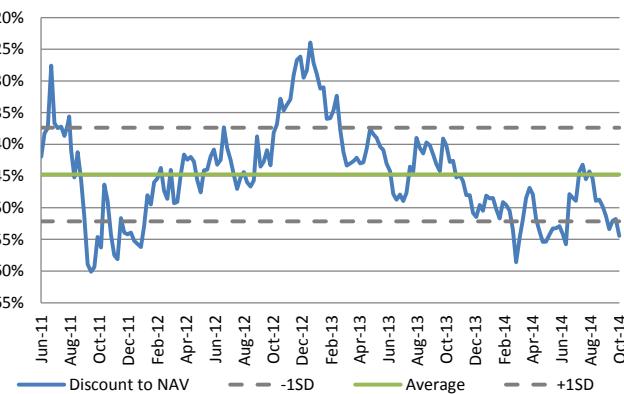


Figure 159: KWG – Discount to NAV



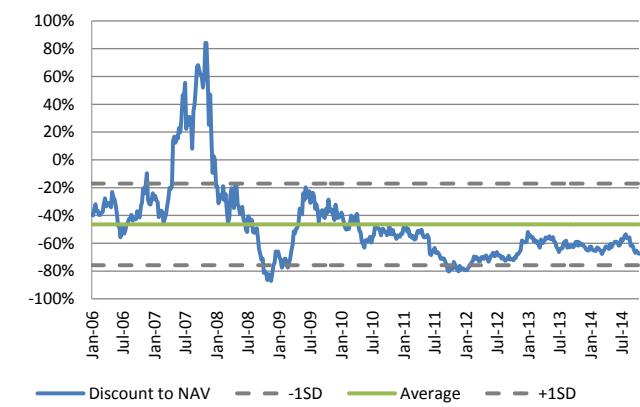
Source: Bloomberg Finance LP, Deutsche Bank

Figure 160: Longfor – Discount to NAV



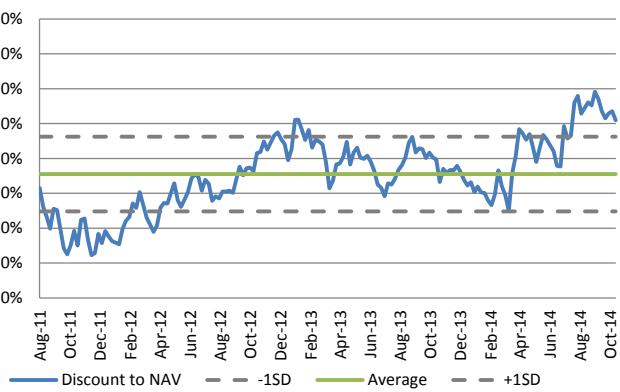
Source: Bloomberg Finance LP, Deutsche Bank

Figure 161: R&amp;F – Discount to NAV



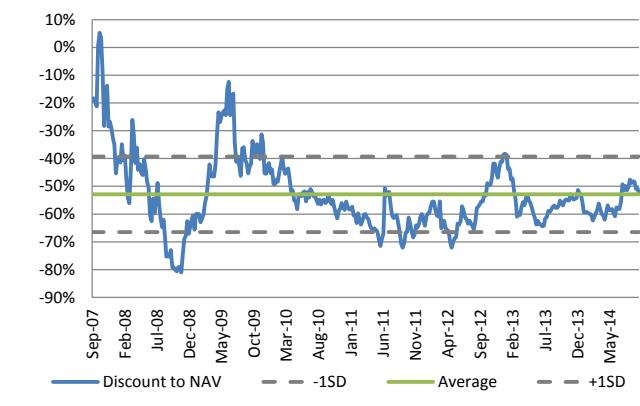
Source: Bloomberg Finance LP, Deutsche Bank

Figure 162: Shimao – Discount to NAV



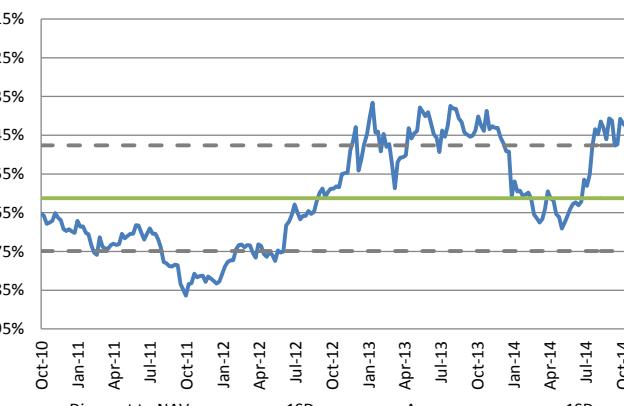
Source: Bloomberg Finance LP, Deutsche Bank

Figure 163: Sino-Ocean – Discount to NAV



Source: Bloomberg Finance LP, Deutsche Bank

Figure 164: Sunac – Discount to NAV



Source: Bloomberg Finance LP, Deutsche Bank



Figure 165: Yanlord – Discount to NAV

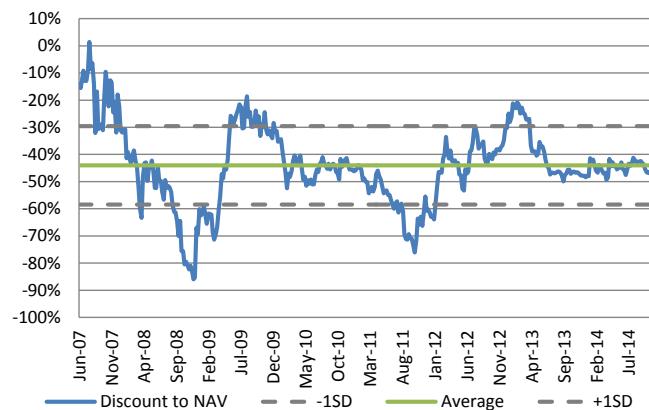


Figure 166: Yuexiu – Discount to NAV





## Historical P/E and P/B of individual stocks

Figure 167: Agile – P/E

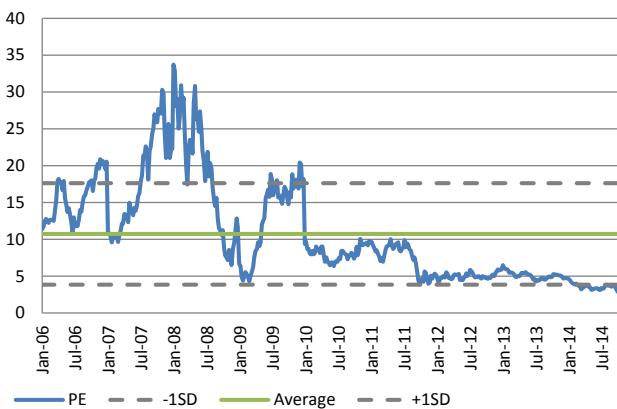


Figure 168: Agile – P/B

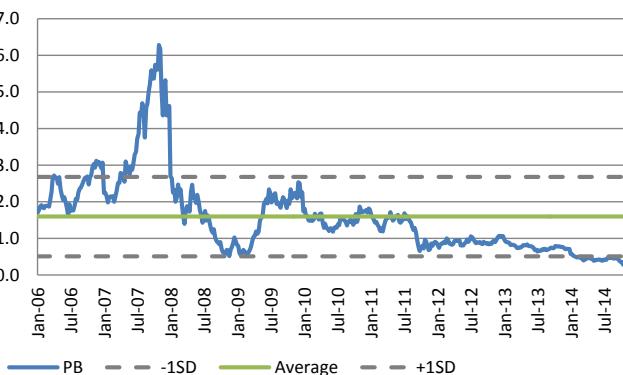


Figure 169: Central China – P/E

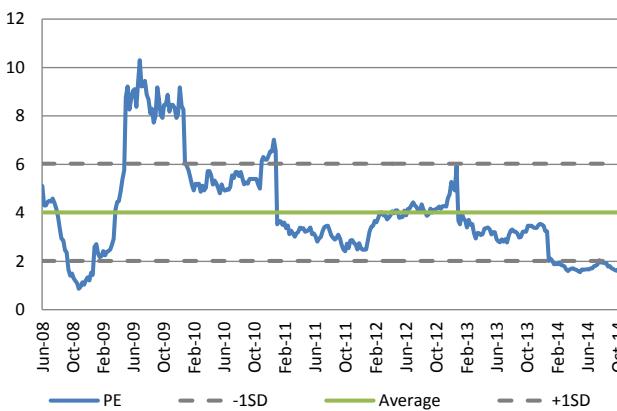


Figure 170: Central China – P/B

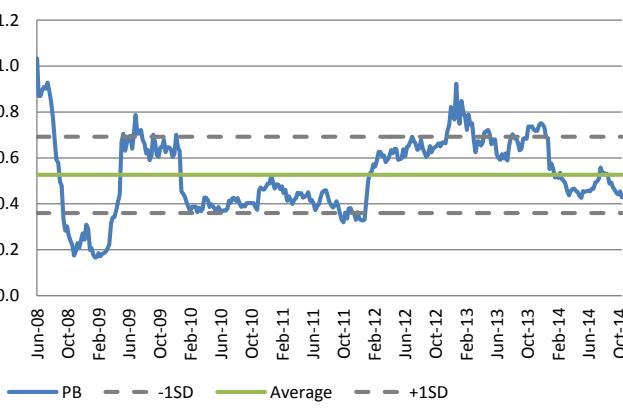


Figure 171: China Vanke – P/E

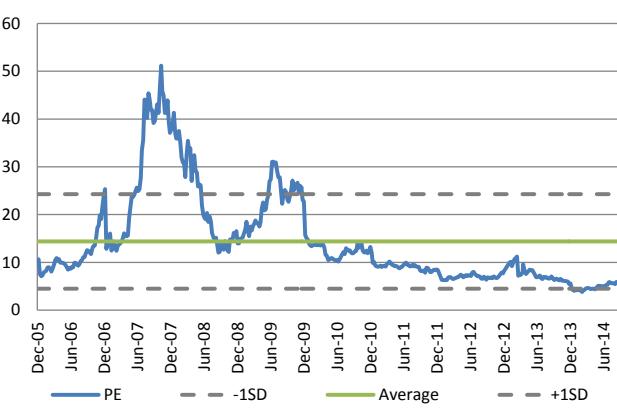


Figure 172: China Vanke – P/B

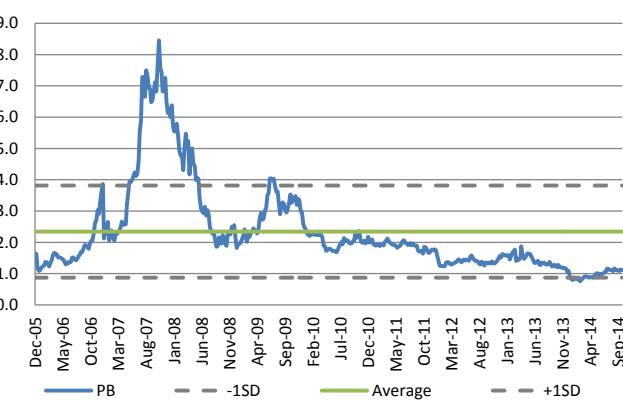


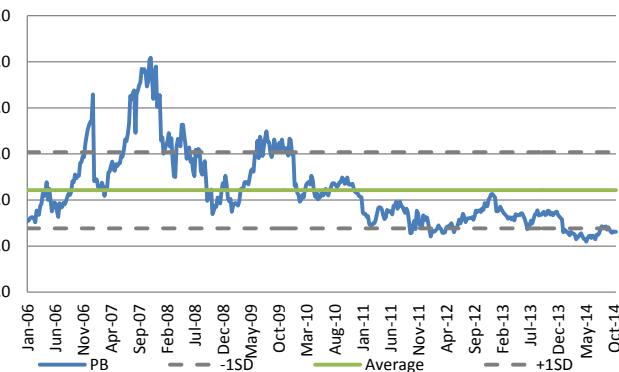


Figure 173: COLI – P/E



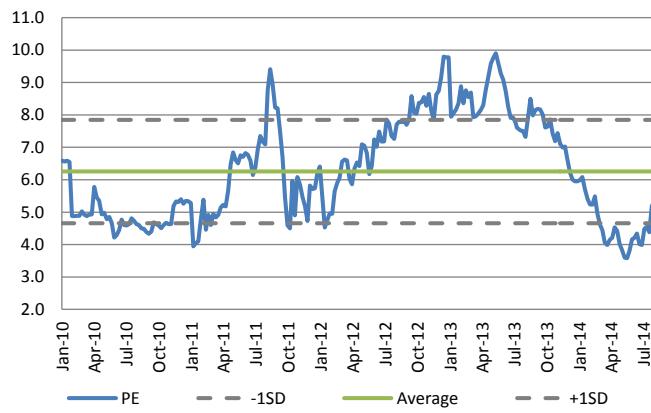
Source: Bloomberg Finance LP, Deutsche Bank

Figure 174: COLI – P/B



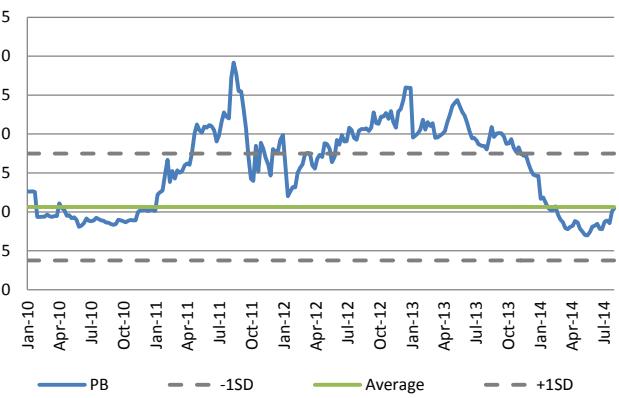
Source: Bloomberg Finance LP, Deutsche Bank

Figure 175: COGO – P/E



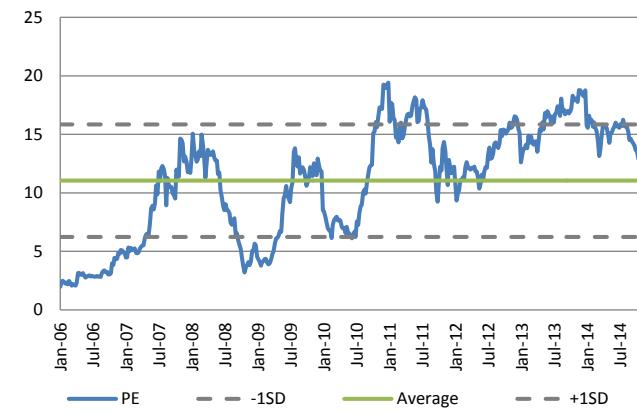
Source: Bloomberg Finance LP, Deutsche Bank

Figure 176: COGO – P/B



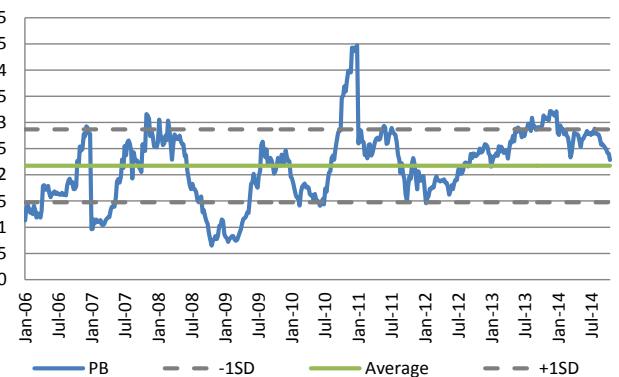
Source: Bloomberg Finance LP, Deutsche Bank

Figure 177: CSCI – P/E



Source: Bloomberg Finance LP, Deutsche Bank

Figure 178: CSCI – P/B



Source: Bloomberg Finance LP, Deutsche Bank



Figure 179: CR Land – P/E



Figure 180: CR Land – P/B



Figure 181: Country Garden – P/E

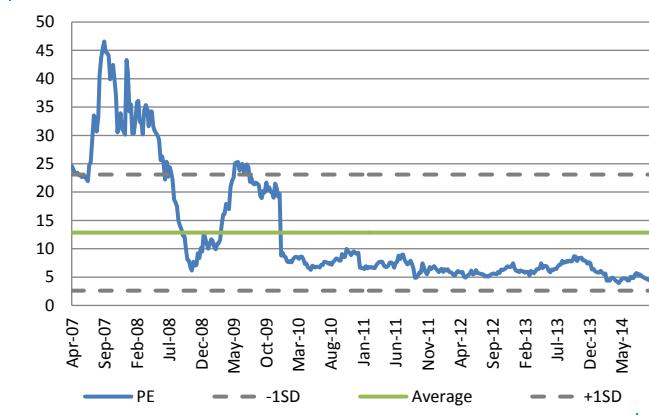


Figure 182: Country Garden – P/B

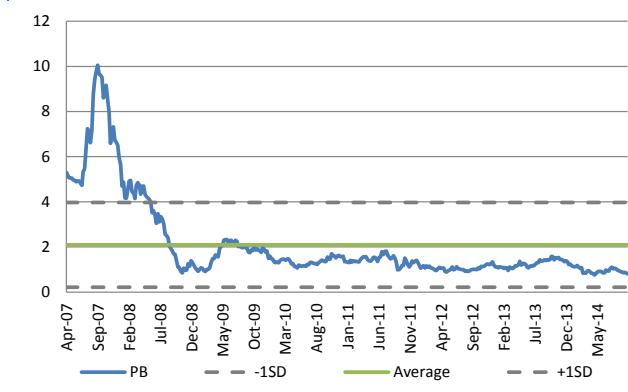


Figure 183: Evergrande – P/E

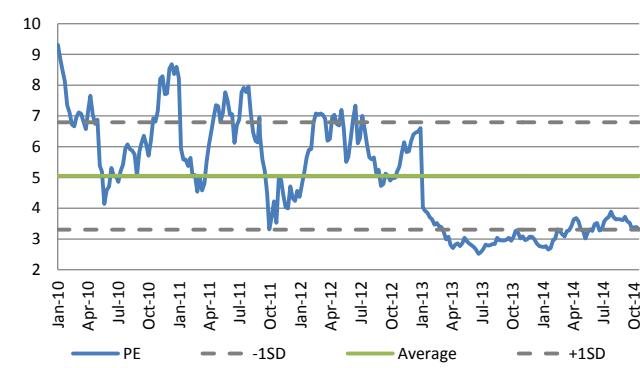


Figure 184: Evergrande – P/B





Figure 185: Franshion – P/E



Figure 186: Franshion – P/B

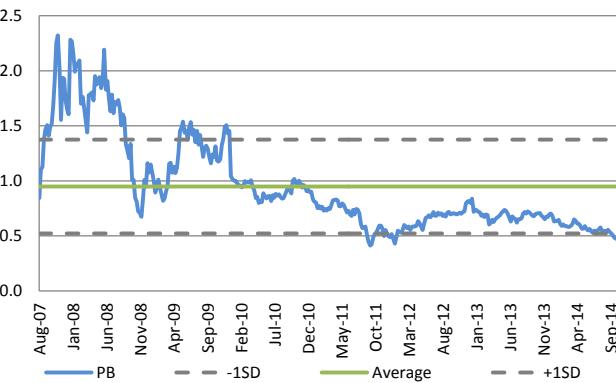


Figure 187: Greentown – P/E



Figure 188: Greentown – P/B

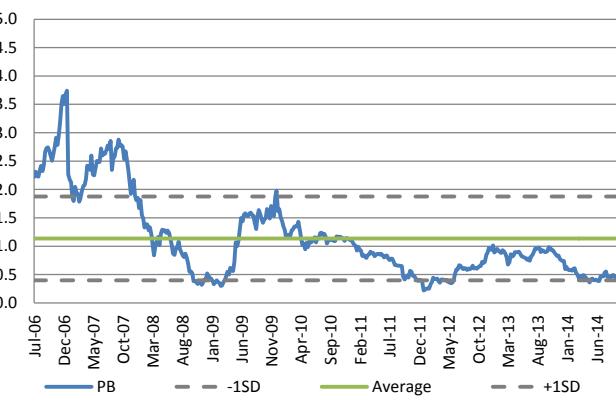


Figure 189: Kaisa – P/E



Figure 190: Kaisa – P/B

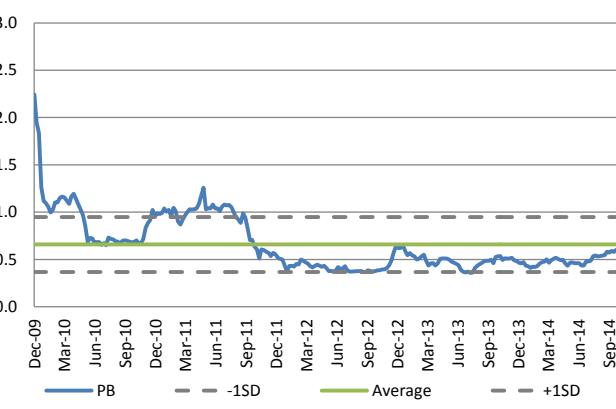




Figure 191: KWG – P/E

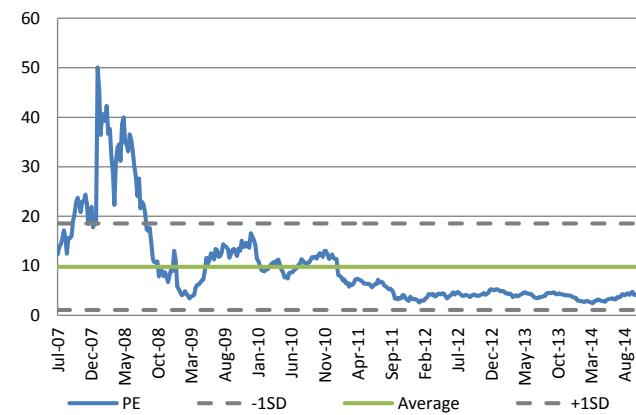


Figure 192: KWG – P/B



Figure 193: Longfor – P/E

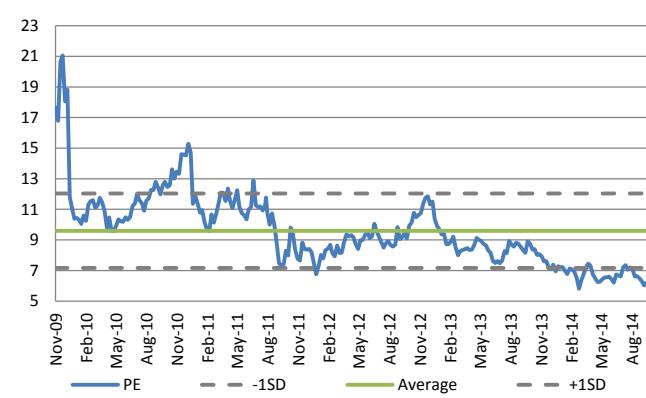


Figure 194: Longfor – P/B



Figure 195: R&amp;F – P/E

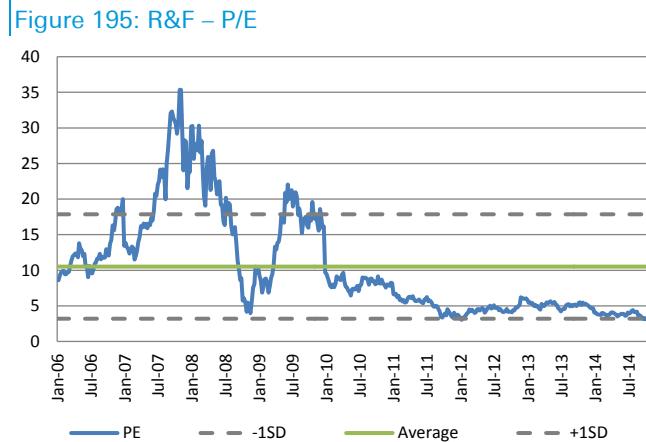


Figure 196: R&amp;F – P/B

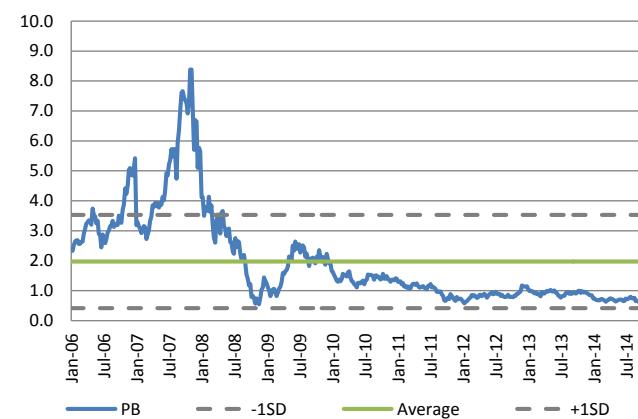




Figure 197: Shimao – P/E



Figure 198: Shimao – P/B



Figure 199: Sino-Ocean – P/E

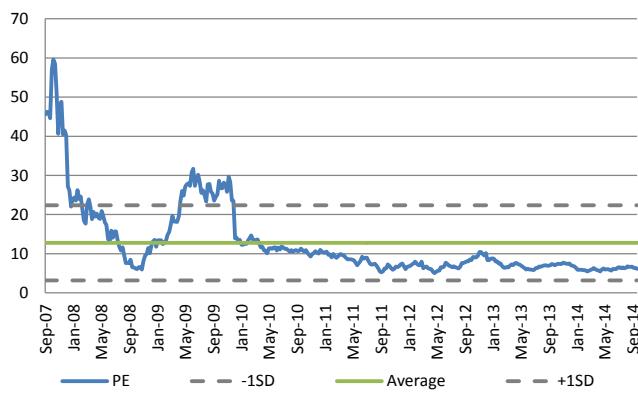


Figure 200: Sino-Ocean – P/B

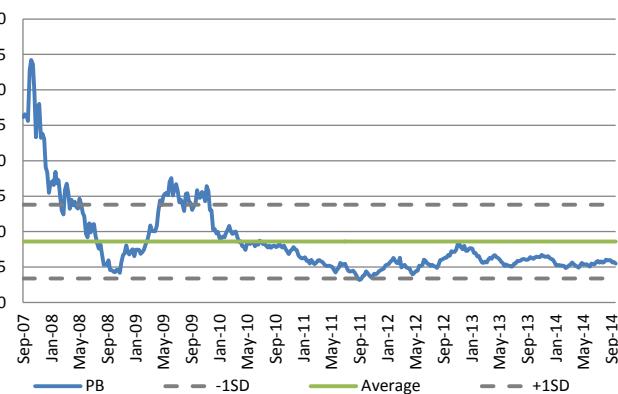


Figure 201: Sunac – P/E



Figure 202: Sunac – P/B



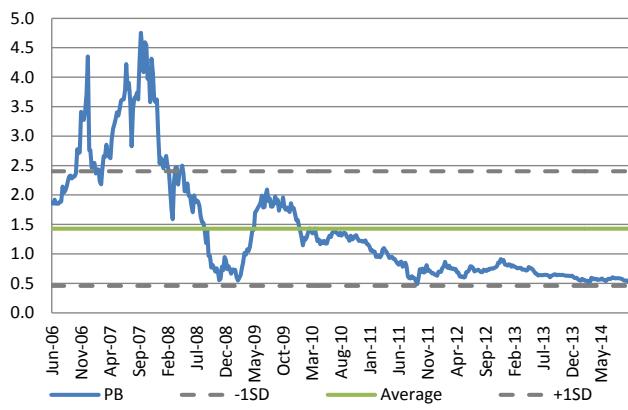


Figure 203: Yanlord – P/E



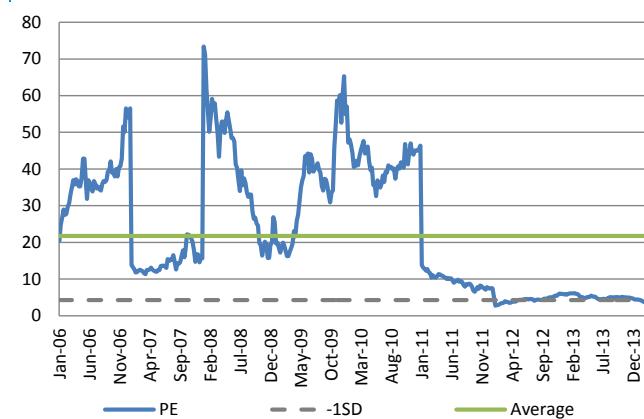
Source: Bloomberg Finance LP, Deutsche Bank

Figure 204: Yanlord – P/B



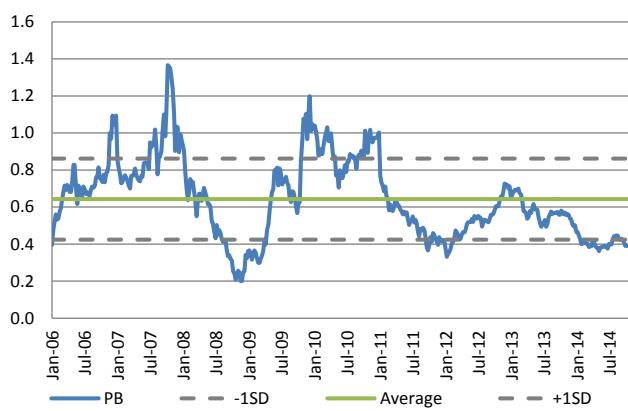
Source: Bloomberg Finance LP, Deutsche Bank

Figure 205: Yuexiu – P/E



Source: Bloomberg Finance LP, Deutsche Bank

Figure 206: Yuexiu – P/B



Source: Bloomberg Finance LP, Deutsche Bank



Figure 207: China Prop - Valuation table

DB Trade Report					Mkt Cap	12M Daily T/O	21 Oct	Target	Implied	Est.	NAV	EPS			PE(x)		
Company	Ticker	Rating	Ccy	Ccy	USDm	USDm	Price	Price	Upside	NAV	Disc	13A	14F	15F	13A	14F	15F
<b>Covered</b>																	
COLI	688 HK	Buy	HKD	HKD	22,656	65.33	21.50	27.74	29%	30.8	-30%	2.32	2.79	3.39	9.3	7.7	6.3
China Vanke - A	000002 CH	Buy	CNY	CNY	17,015	107.44	9.22	12.62	37%	15.8	-42%	1.38	1.48	1.63	6.7	6.2	5.6
China Vanke - H	2202 HK	Hold	HKD	CNY	17,015	26.43	14.20	15.15	7%	18.9	-25%	1.38	1.48	1.63	8.1	7.6	6.9
CSCEC	601668 CH	Buy	CNY	CNY	16,366	50.77	3.34	5.55	66%	7.9	-58%	0.68	0.78	0.91	4.9	4.3	3.7
CR Land	1109 HK	Buy	HKD	HKD	13,457	25.76	17.90	22.82	27%	28.5	-37%	1.62	1.91	2.28	11.0	9.4	7.9
Poly - A	600048 CH	Buy	CNY	CNY	9,794	88.07	5.59	7.61	36%	9.5	-41%	1.00	1.13	1.22	5.6	4.9	4.6
Country Garden	2007 HK	Sell	HKD	CNY	7,661	17.48	2.92	2.40	-18%	4.0	-27%	0.46	0.50	0.57	5.0	4.6	4.1
Shimao	813 HK	Sell	HKD	CNY	7,064	22.36	15.78	13.37	-15%	22.3	-29%	2.11	2.64	2.88	5.9	4.7	4.3
Longfor	960 HK	Buy	HKD	CNY	6,146	4.95	8.76	15.50	77%	19.4	-55%	1.15	1.21	1.44	6.0	5.7	4.8
Gemdale	600383 CH	Sell	CNY	CNY	5,839	38.21	7.96	7.00	-12%	10.8	-26%	0.48	0.54	0.60	16.5	14.8	13.3
Evergrande	3333 HK	Sell	HKD	CNY	5,586	17.78	2.97	2.48	-16%	5.0	-40%	0.71	0.72	0.73	3.3	3.3	3.2
CSCI	3311 HK	Buy	HKD	HKD	5,450	8.57	10.86	14.89	37%	14.9	-27%	0.58	0.84	1.03	18.7	12.9	10.5
China Merchants Prop	000024 CH	Buy	CNY	CNY	4,399	54.19	13.03	16.42	26%	23.5	-44%	1.63	2.04	2.30	8.0	6.4	5.7
Sino-Ocean	3377 HK	Buy	HKD	CNY	4,041	2.71	4.20	6.07	45%	8.7	-52%	0.41	0.50	0.65	8.2	6.6	5.1
R&F	2777 HK	Buy	HKD	CNY	3,344	9.89	8.05	13.50	68%	22.5	-64%	1.80	2.00	2.40	3.5	3.2	2.6
Hui Xian REIT	87001 HK	Buy	CNY	CNY	2,873	1.59	3.32	4.40	33%	6.3	-47%	0.22	0.22	0.23	15.3	15.0	14.6
Sunac	1918 HK	Hold	HKD	CNY	2,818	10.37	6.47	6.39	-1%	10.7	-39%	0.95	1.08	1.34	5.4	4.7	3.8
Yuxiu	123 HK	Buy	HKD	CNY	2,190	5.04	1.37	2.60	90%	4.4	-69%	0.16	0.20	0.24	6.8	5.3	4.4
Greentown	3900 HK	Buy	HKD	CNY	2,153	7.59	7.73	11.00	42%	22.0	-65%	2.29	2.19	2.55	2.7	2.8	2.4
Franshion	817 HK	Buy	HKD	HKD	2,138	2.40	1.81	3.88	114%	5.5	-67%	0.25	0.30	0.37	7.1	6.0	4.8
KWG	1813 HK	Buy	HKD	CNY	2,043	4.05	5.38	6.68	24%	11.1	-52%	0.80	1.12	1.35	5.3	3.8	3.1
Agile	3383 HK	Sell	HKD	CNY	1,949	8.91	3.86	3.30	-15%	13.2	-71%	1.28	1.25	1.29	2.4	2.4	2.4
Kaisa	1638 HK	Buy	HKD	CNY	1,868	2.68	2.83	4.68	65%	7.8	-64%	0.42	0.64	0.81	5.3	3.5	2.8
Yanlord	YLLG SP	Sell	SGD	CNY	1,625	0.73	1.06	1.02	-4%	2.0	-48%	0.50	0.56	0.69	10.2	9.1	7.4
E-House	EJ US	Buy	USD	USD	1,351	26.02	9.80	18.20	86%	0.0	NA	0.56	0.73	0.91	17.4	13.3	10.8
COGO	81 HK	Buy	HKD	HKD	1,189	3.32	4.04	9.39	132%	13.4	-70%	1.22	1.18	1.30	3.3	3.4	3.1
CIFI	884 HK	Buy	HKD	CNY	1,103	1.29	1.42	2.53	78%	4.6	-69%	0.26	0.34	0.46	4.3	3.3	2.4
Central China	832 HK	Buy	HKD	CNY	565	0.28	1.80	3.36	87%	5.6	-68%	0.41	0.52	0.65	3.4	2.7	2.2
Far East Global	830 HK	Buy	HKD	HKD	383	0.89	1.38	3.28	138%	3.3	-58%	0.02	0.09	0.13	58.8	15.6	10.9
<b>Not Rated</b>												<b>-49%</b>			<b>8.3</b>	<b>6.9</b>	<b>5.8</b>

Source: Deutsche Bank, Company, Bloomberg Finance LP Consensus estimates for companies NR



Figure 208: China property – valuations (cont.)

Company	Ticker	EPS growth %			BVPS			PB(x)			DPS			Dividends yield %			Net gearing %		
		13A	14F	15F	13A	14F	15F	13A	14F	15F	13A	14F	15F	13A	14F	15F	13A	14F	15F
<b>Covered</b>																			
COLI	688 HK	20	20	21	13.5	16.1	19.0	1.6	1.3	1.1	0.5	0.5	0.5	2.2	2.3	2.3	28.5	27.1	12.0
China Vanke - A	000002 CH	20	8	10	7.0	8.3	9.5	1.3	1.1	1.0	0.4	0.4	0.5	4.4	4.7	4.9	30.7	41.4	32.1
China Vanke - H	2202 HK	20	8	10	7.0	8.3	9.5	1.6	1.4	1.2	0.4	0.4	0.5	3.7	3.8	4.0	30.7	41.4	32.1
CSCEC	601668 CH	29	16	17	3.9	4.6	5.3	0.8	0.7	0.6	0.1	0.2	0.2	4.3	4.7	5.4	61.9	53.2	49.1
CR Land	1109 HK	30	18	19	14.5	16.0	17.8	1.2	1.1	1.0	0.4	0.5	0.5	2.4	2.5	2.5	43.2	64.9	41.6
Poly - A	600048 CH	28	13	8	4.8	5.7	6.7	1.2	1.0	0.8	0.3	0.2	0.3	5.3	4.3	4.5	93.9	66.7	53.5
Country Garden	2007 HK	13	9	12	2.5	2.8	3.2	0.9	0.8	0.7	0.2	0.2	0.2	7.3	8.6	9.2	78.0	67.6	64.9
Shimao	813 HK	67	25	9	12.0	14.3	16.4	1.0	0.9	0.8	0.8	0.8	0.9	5.1	5.2	5.5	57.4	88.8	76.1
Longfor	960 HK	12	5	19	6.8	7.8	8.9	1.0	0.9	0.8	0.2	0.2	0.3	3.3	3.5	4.2	57.9	64.9	58.8
Gemdale	600383 CH	(24)	11	11	6.5	6.9	7.4	1.2	1.2	1.1	0.2	0.1	0.1	2.0	1.6	1.5	43.8	58.2	56.3
Evergrande	3333 HK	69	2	2	3.4	3.8	4.3	0.7	0.6	0.5	0.5	0.3	0.3	23.0	11.1	11.6	69.5	87.3	76.1
CSCI	3311 HK	3	45	23	4.2	4.8	5.6	2.6	2.3	1.9	0.2	0.2	0.2	1.9	1.9	1.9	27.9	36.5	30.5
China Merchants Prop	000024 CH	27	25	13	10.4	12.0	13.9	1.3	1.1	0.9	0.5	0.4	0.5	0.5	0.4	0.5	24.5	35.6	24.4
Sino-Ocean	3377 HK	(2)	24	30	5.5	6.2	6.7	0.6	0.5	0.5	0.2	0.2	0.2	6.9	6.9	7.5	37.4	36.5	37.0
R&F	2777 HK	14	11	20	10.0	11.5	13.3	0.6	0.6	0.5	0.6	0.6	0.6	9.8	9.4	9.8	111.1	71.2	27.9
Hui Xian REIT	87001 HK	38	2	3	5.4	5.3	5.2	0.6	0.6	0.6	0.2	0.2	0.2	7.1	7.3	7.5	-24.5	-31.0	NA
Sunac	1918 HK	18	14	24	4.1	5.0	6.2	1.2	1.0	0.8	0.2	0.2	0.2	3.7	3.9	4.3	93.3	109.0	121.0
Yuexiu	123 HK	(13)	27	21	2.5	2.6	2.8	0.4	0.4	0.4	0.1	0.1	0.1	6.5	6.5	6.5	66.8	63.5	58.0
Greentown	3900 HK	(3)	(4)	16	11.7	13.9	16.1	0.5	0.4	0.4	0.4	0.4	0.4	7.0	6.5	6.7	77.1	73.2	68.1
Franshion	817 HK	32	20	23	3.7	3.9	4.3	0.5	0.5	0.4	0.1	0.1	0.1	5.2	5.5	6.1	63.5	24.9	-7.0
KWG	1813 HK	2	40	20	6.2	7.0	8.1	0.7	0.6	0.5	0.3	0.3	0.3	6.8	5.9	6.1	56.3	23.7	11.5
Agile	3383 HK	(4)	(2)	4	8.5	10.6	11.5	0.4	0.3	0.3	0.5	0.4	0.4	15.6	14.6	14.7	72.4	61.0	58.0
Kaisa	1638 HK	37	50	26	3.5	4.1	4.8	0.6	0.5	0.5	0.2	0.2	0.2	6.7	7.8	9.9	62.1	66.4	65.6
Yanlord	YLLG SP	12	12	22	9.2	9.7	10.3	0.6	0.5	0.5	0.0	0.0	0.0	0.3	0.3	0.3	36.6	38.8	41.0
E-House	EJ US	30	24	5.6	5.9	6.4	1.7	1.7	1.5	0.2	0.2	0.2	0.2	2.0	2.0	2.0	-50.6	-57.7	-54.6
COGO	81 HK	32	(3)	11	5.0	6.0	7.2	0.8	0.7	0.6	0.1	0.1	0.1	2.7	2.7	3.0	47.8	44.2	35.6
CIFI	884 HK	32	30	37	1.5	1.7	2.1	0.8	0.7	0.5	0.1	0.1	0.1	6.2	6.1	8.3	55.9	58.6	48.0
Central China	832 HK	37	25	26	2.5	2.8	3.3	0.6	0.5	0.4	0.1	0.2	0.2	9.6	10.9	14.1	39.9	32.6	-22.3
Far East Global	830 HK		278	42	0.5	0.6	0.7	2.6	2.3	2.0	-	-	-	0.0	0.0	0.0	6.2	-5.3	-7.5
<b>Not Rated</b>																			
NWCL	917 HK	19	32	4	6.0	6.7	7.0	0.7	0.6	0.6	0.1	0.1	0.1	1.9	1.7	1.7	25.2	37.3	39.5
SOHO China	410 HK	3	(43)	(43)	6.6	7.5	7.7	0.7	0.6	0.6	0.3	0.2	0.2	5.6	5.5	5.3	12.7	16.3	25.8
Hopson	754 HK	31	(41)	(5)	23.8	30.2	32.0	0.3	0.2	0.2	0.0	-	-	0.1	0.0	0.0	63.0	NA	NA
Shui On	272 HK	(54)	35	3	5.0	5.4	5.5	0.3	0.3	0.3	0.0	0.0	0.0	3.1	3.4	2.7	68.2	80.1	86.1
Poly Property	119 HK	15	(23)	11	8.1	8.7	9.1	0.4	0.3	0.3	0.2	0.2	0.2	7.0	6.0	5.8	100.2	112.4	106.5
Glorious	845 HK	(29)	29	14	2.5		2.8	0.4	NA	0.3	-	-	0.0	0.0	0.0	0.8	83.1	NA	75.1
BJ North Star	588 HK	47	(7)	12		4.8	5.0	NA	0.4	0.4	0.1	0.1	NA	2.7	3.3	NA	NA	NA	NA
Yuzhou	1628 HK	42	64	33	2.0	2.5	3.0	0.7	0.5	0.5	0.1	0.1	0.2	7.1	10.0	12.6	63.8	70.0	23.9
Fantasia	1777 HK	7	(1)	10	1.4	1.7	1.9	0.4	0.4	0.3	0.1	0.0	0.0	8.6	7.0	7.2	94.1	117.9	126.1
Powerlong	1238 HK	12	(1)	40	4.2	4.5	4.7	0.2	0.2	0.2	0.1	0.0	0.0	9.8	4.7	5.3	75.5	NA	NA
C C Land	1224 HK	36	2	34	5.4	5.7	6.1	0.3	0.2	0.2	0.1	0.1	0.1	4.6	4.3	5.7	25.6	NA	NA
Aoyuan	3883 HK	(36)	155	46	2.8	3.0	3.4	0.3	0.3	0.3	0.1	0.1	0.1	5.2	9.4	13.6	64.4	48.5	27.3
Greenland Hong Kong	337 HK	(85)	(51)	141	3.5	2.1	2.3	0.7	1.1	1.0	0.0	0.0	0.1	1.1	1.6	2.2	NA	NA	NA
Minmetals	230 HK	50	(7)	-	2.4			0.4	NA	NA	0.0	0.0	0.0	2.0	2.3	2.1	37.5	NA	NA
BC Land	2868 HK	3	23	31	4.2			0.5	NA	NA	0.2	0.2	0.2	10.3	10.3	10.8	NA	NA	NA
<b>Overall average</b>								<b>0.8</b>	<b>0.8</b>	<b>0.7</b>				<b>5.3</b>	<b>5.0</b>	<b>5.5</b>	<b>51.5</b>	<b>50.7</b>	<b>44.4</b>

Source: Deutsche Bank, Company data, Bloomberg Finance LP consensus estimates for companies NR



# Urbanization trend

Taking a look at urbanization trends of individual municipal cities and provinces (with data available)

Figure 209: Beijing: Urbanisation rate



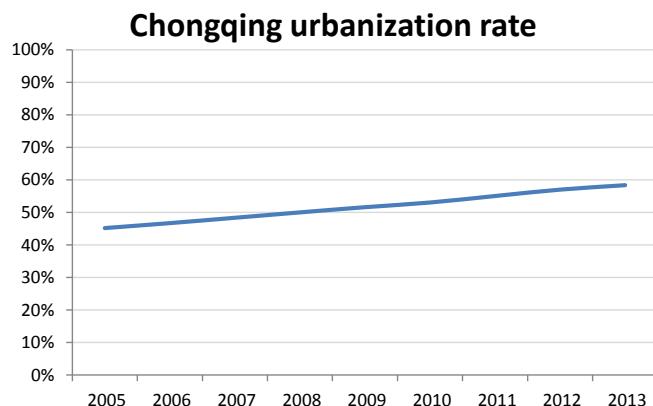
Source: NBS, CEIC, Deutsche Bank

Figure 210: Shanghai: Urbanisation rate



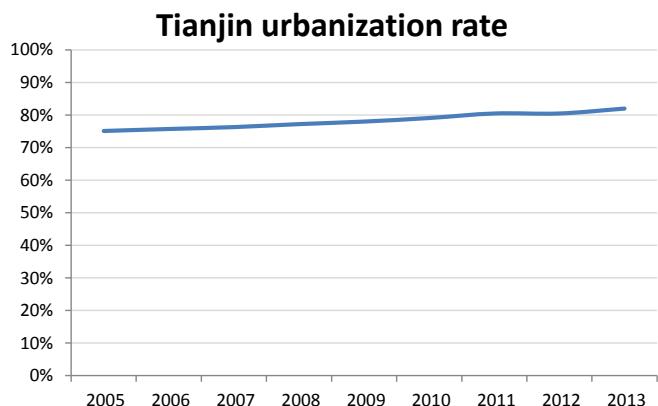
Source: Deutsche Bank

Figure 211: Chongqing: Urbanisation rate



Source: NBS, CEIC, Deutsche Bank

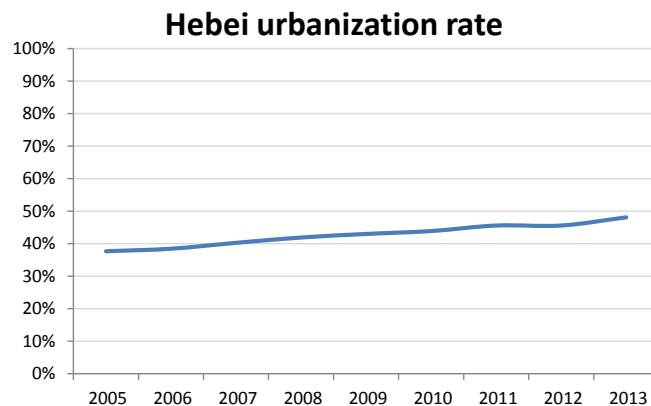
Figure 212: Tianjin: Urbanisation rate



Source: NBS, CEIC, Deutsche Bank

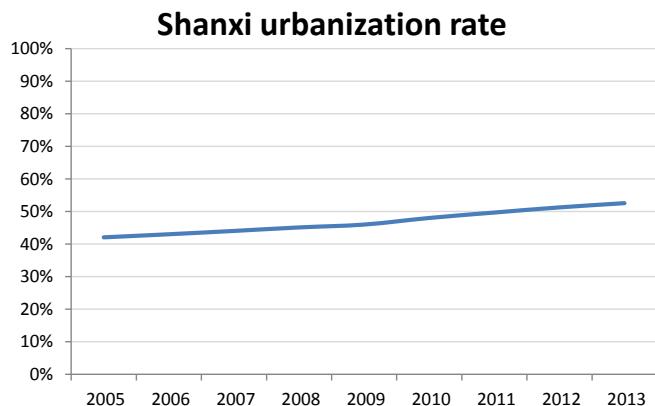


Figure 213: Hebei: Urbanisation rate



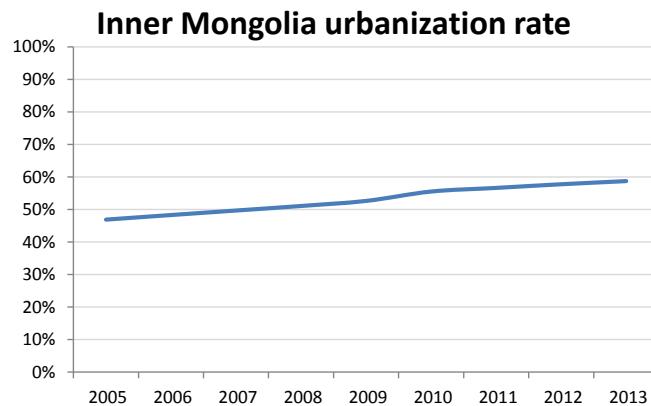
Source: NBS, CEIC, Deutsche Bank

Figure 214: Shanxi: Urbanisation rate



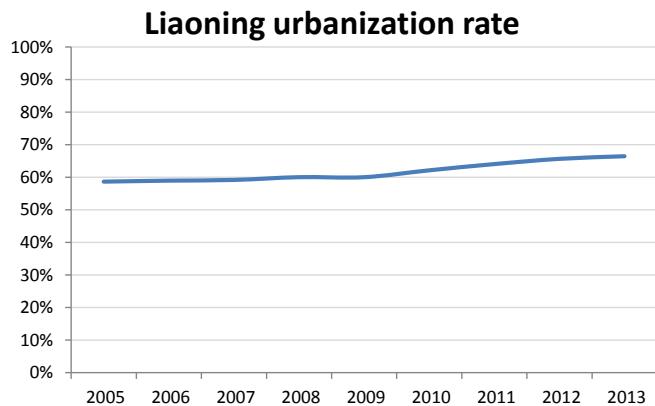
Source: NBS, CEIC, Deutsche Bank

Figure 215: Inner Mongolia: Urbanisation rate



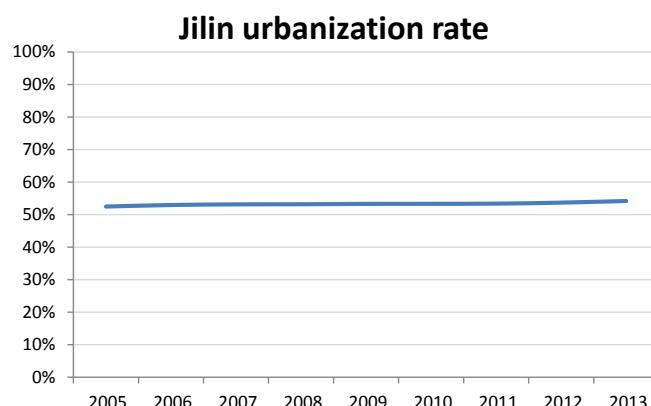
Source: NBS, CEIC, Deutsche Bank

Figure 216: Liaoning: Urbanisation rate



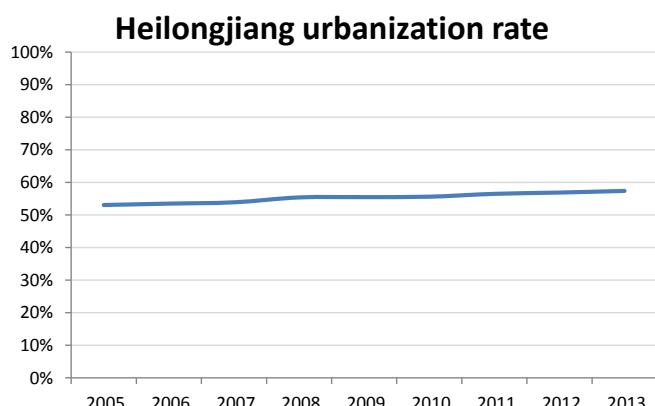
Source: NBS, CEIC, Deutsche Bank

Figure 217: Jilin: Urbanisation rate



Source: NBS, CEIC, Deutsche Bank

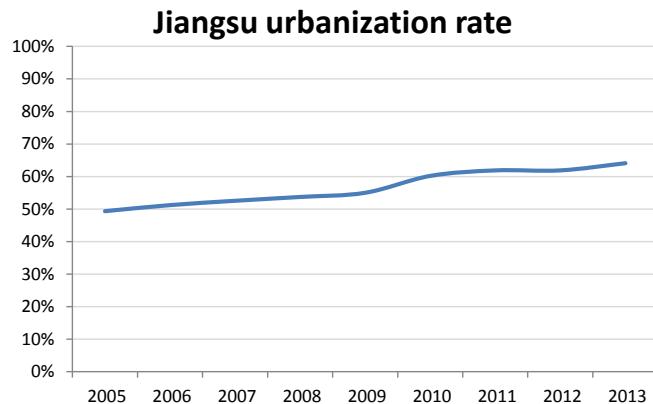
Figure 218: Heilongjiang: Urbanisation rate



Source: NBS, CEIC, Deutsche Bank



Figure 219: Jiangsu: Urbanisation rate



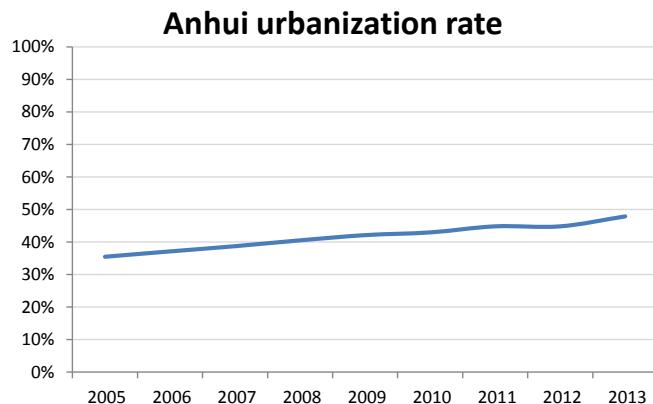
Source: NBS, CEIC, Deutsche Bank

Figure 220: Zhejiang: Urbanisation rate



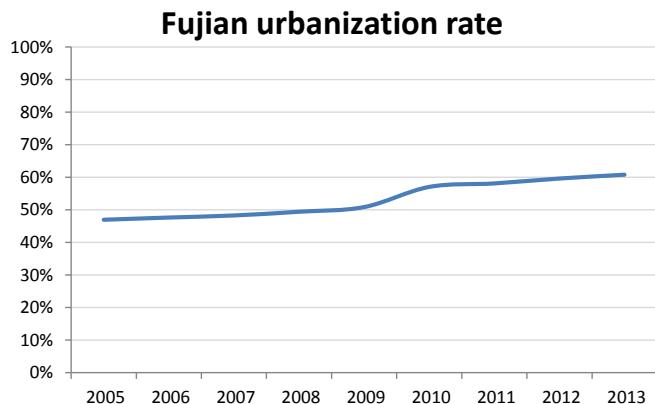
Source: NBS, CEIC, Deutsche Bank

Figure 221: Anhui: Urbanisation rate



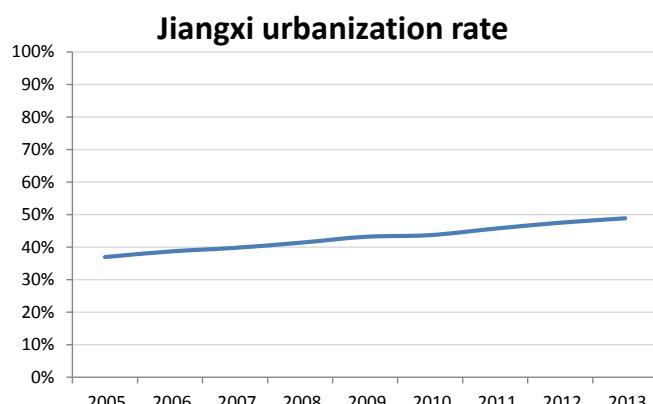
Source: NBS, CEIC, Deutsche Bank

Figure 222: Fujian: Urbanisation rate



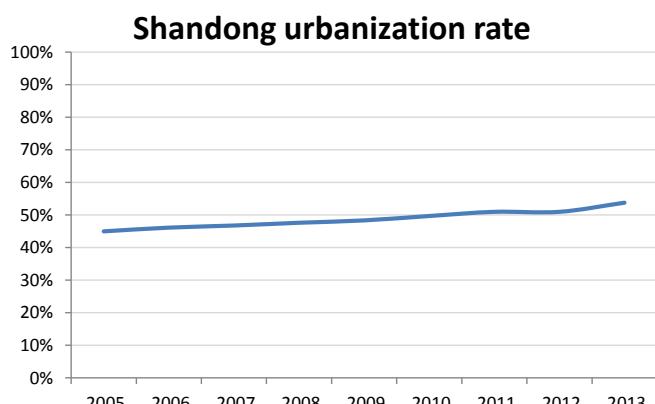
Source: NBS, CEIC, Deutsche Bank

Figure 223: Jiangxi: Urbanisation rate



Source: NBS, CEIC, Deutsche Bank

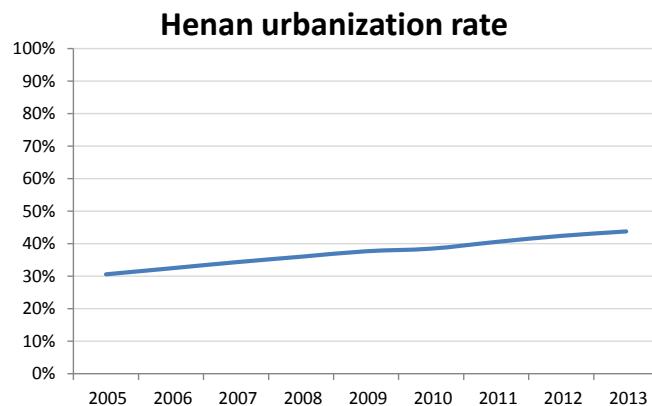
Figure 224: Shandong: Urbanisation rate



Source: NBS, CEIC, Deutsche Bank



Figure 225: Henan: Urbanisation rate



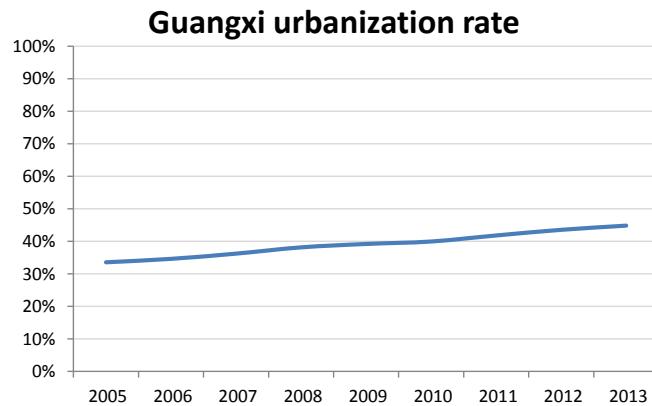
Source: NBS, CEIC, Deutsche Bank

Figure 226: Guangdong: Urbanisation rate



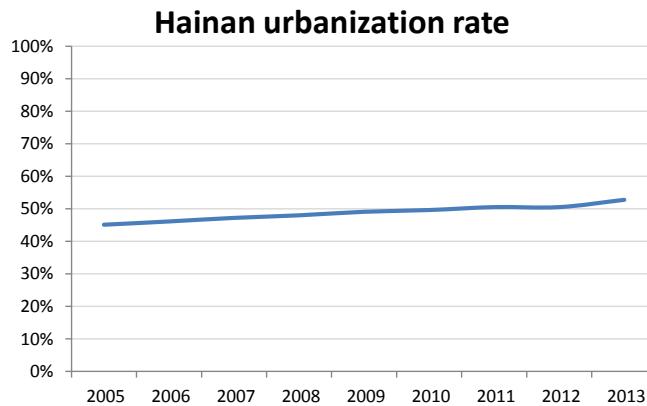
Source: NBS, CEIC, Deutsche Bank

Figure 227: Guangxi: Urbanisation rate



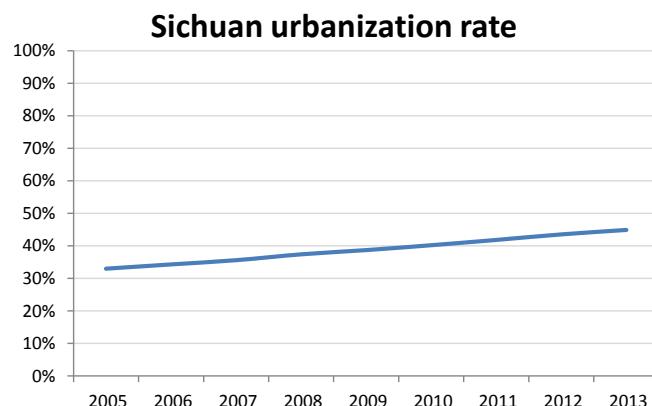
Source: NBS, CEIC, Deutsche Bank

Figure 228: Hainan: Urbanisation rate



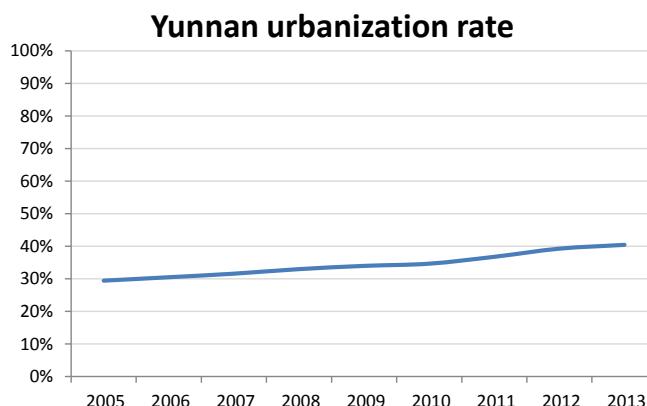
Source: NBS, CEIC, Deutsche Bank

Figure 229: Sichuan: Urbanisation rate



Source: NBS, CEIC, Deutsche Bank

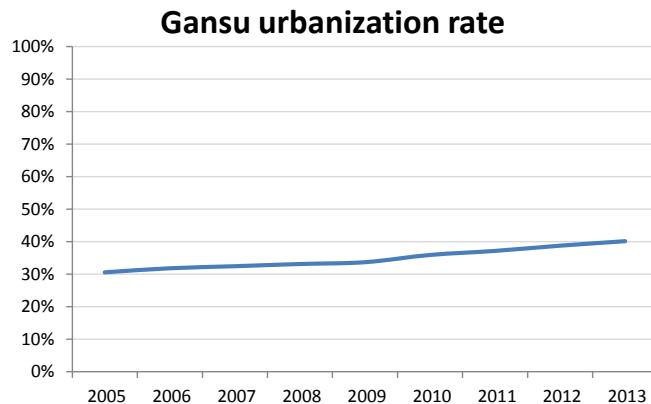
Figure 230: Yunnan: Urbanisation rate



Source: NBS, CEIC, Deutsche Bank

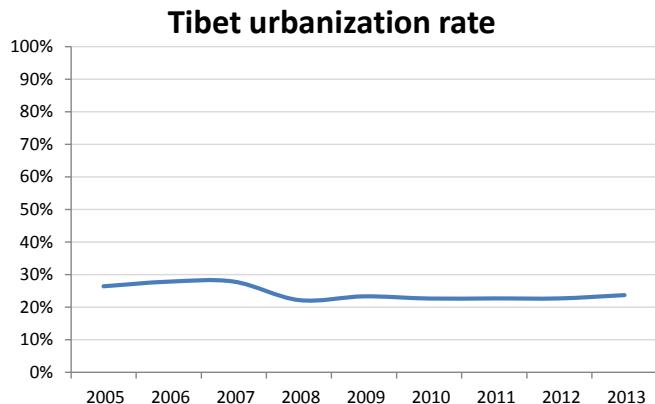


Figure 231: Gansu: Urbanisation rate



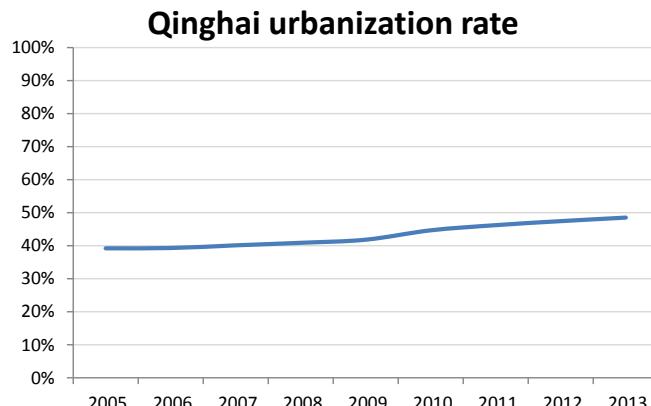
Source: NBS, CEIC, Deutsche Bank

Figure 232: Tibet: Urbanisation rate



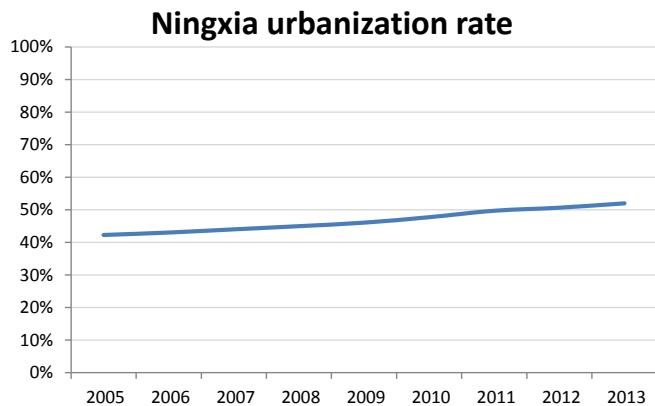
Source: NBS, CEIC, Deutsche Bank

Figure 233: Qinghai: Urbanisation rate



Source: NBS, CEIC, Deutsche Bank

Figure 234: Ningxia: Urbanisation rate



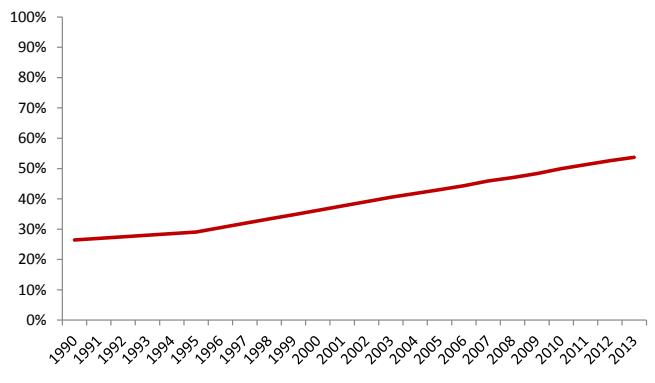
Source: NBS, CEIC, Deutsche Bank

Figure 235: Xinjiang: Urbanisation rate



Source: NBS, CEIC, Deutsche Bank

Figure 236: Nationwide: Urbanisation rate



Source: NBS, CEIC, Deutsche Bank



# Taking a look at housing affordability

Overall housing affordability has continued to improve

Figure 237: National – Housing affordability (since 2000)

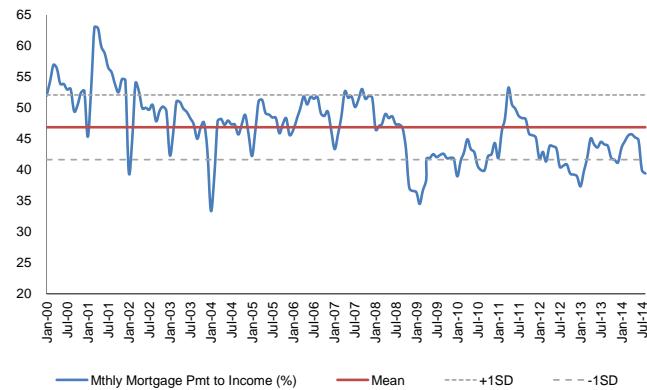


Figure 238: National – Housing affordability (since 2005)

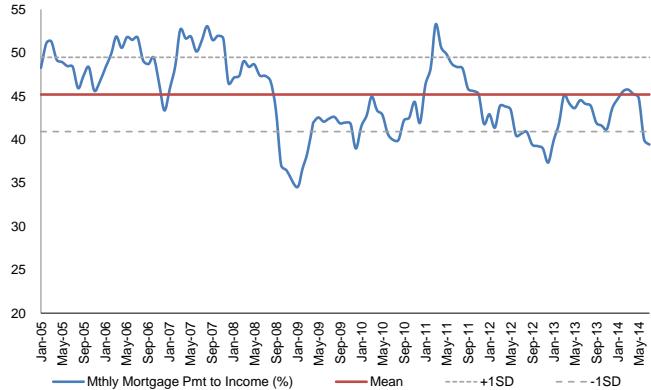


Figure 239: Beijing – Housing affordability

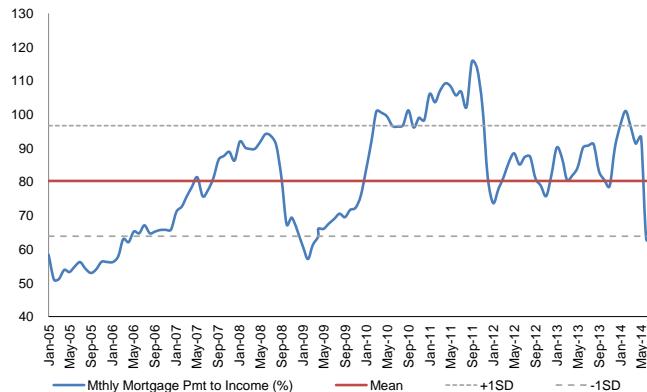


Figure 240: Shanghai – Housing affordability

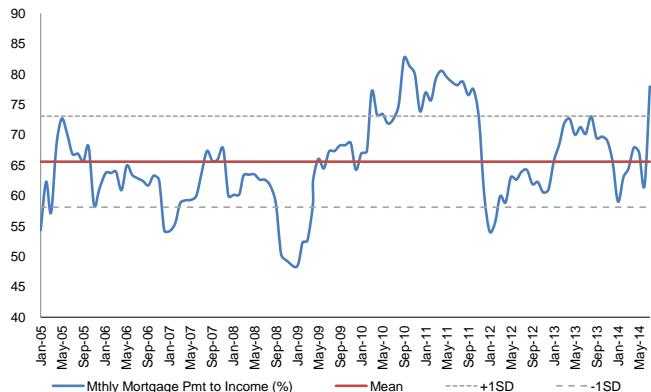




Figure 241: Guangzhou – Housing affordability

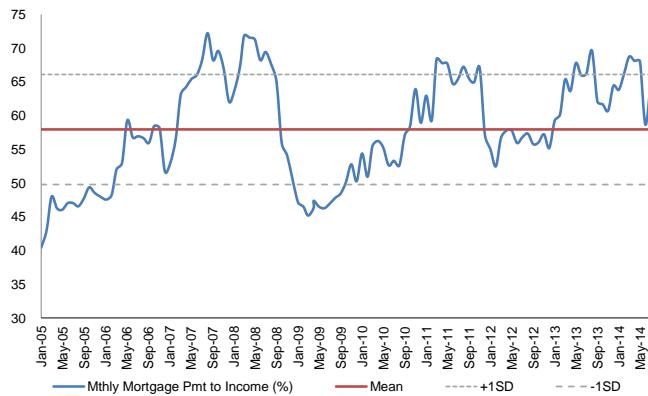


Figure 242: Shenzhen – Housing affordability

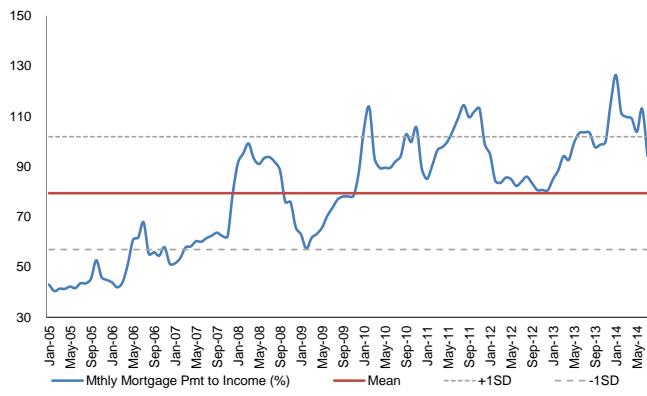


Figure 243: Tianjin – Housing affordability

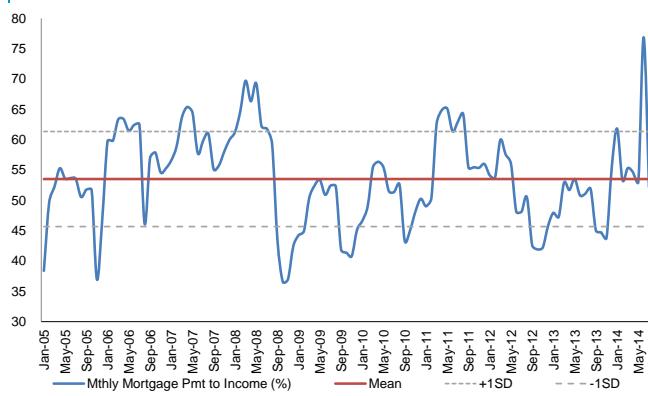


Figure 244: Chongqing – Housing affordability

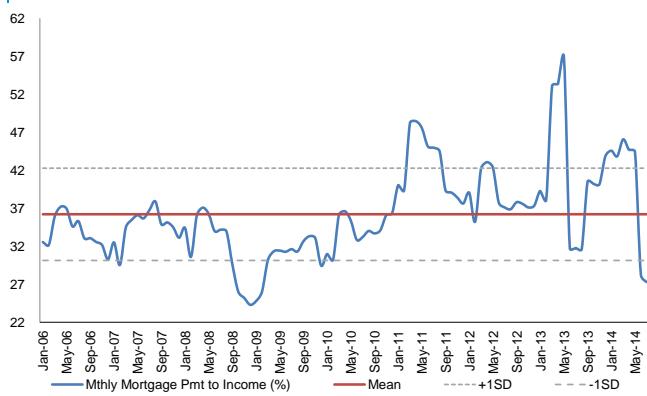


Figure 245: Chengdu – Housing affordability



Figure 246: Shijiazhuang – Housing affordability





Figure 247: Taiyuan – Housing affordability

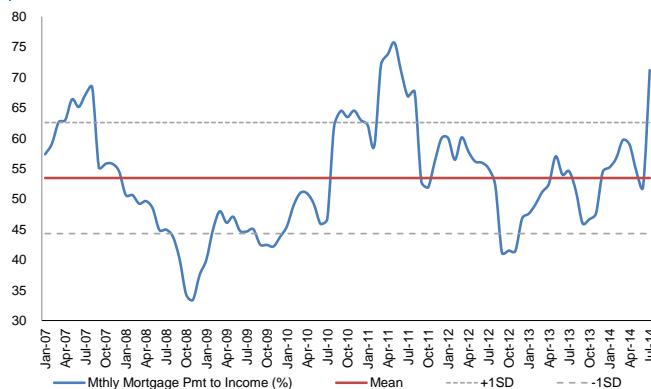


Figure 248: Hohhot – Housing affordability

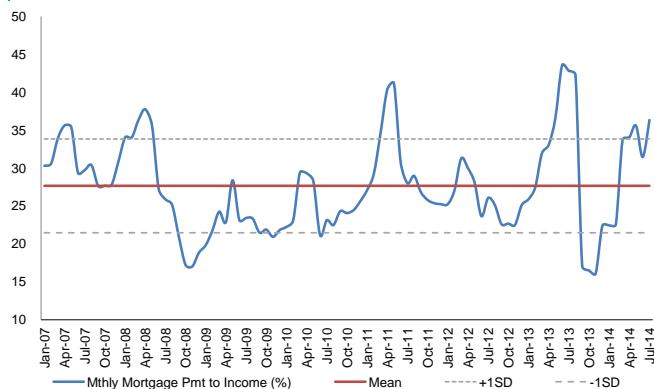


Figure 249: Shenyang – Housing affordability

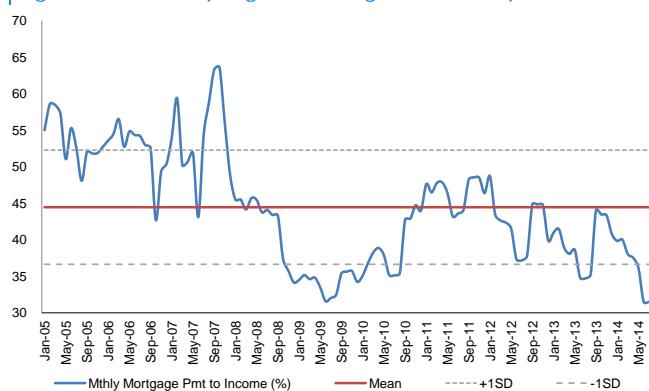


Figure 250: Dalian – Housing affordability



Figure 251: Changchun – Housing affordability

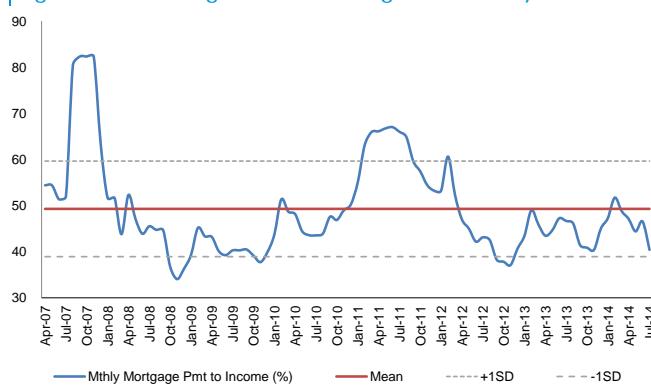


Figure 252: Harbin – Housing affordability





Figure 253: Nanjing – Housing affordability

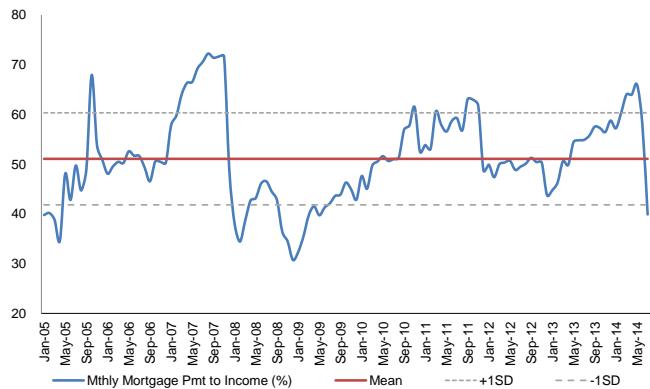


Figure 254: Suzhou – Housing affordability

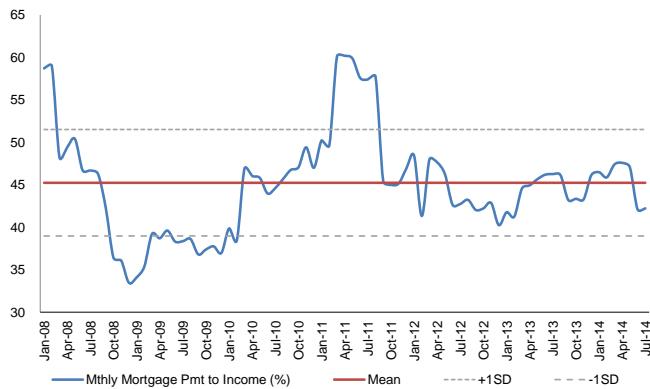


Figure 255: Hangzhou – Housing affordability

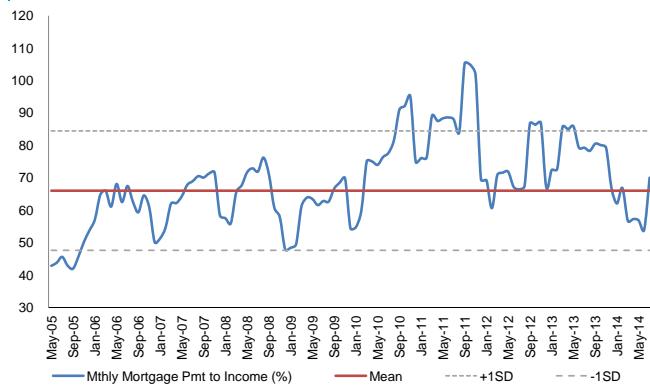


Figure 256: Ningbo – Housing affordability

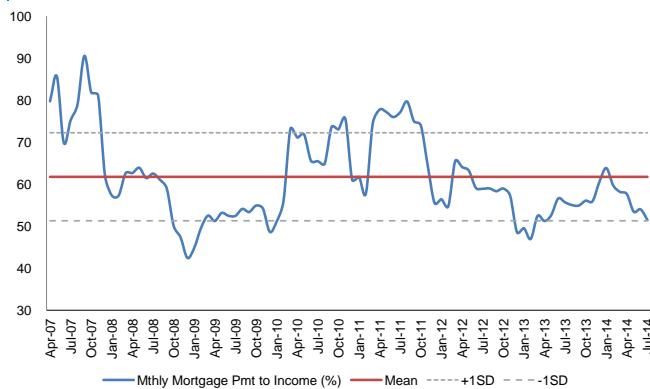


Figure 257: Hefei – Housing affordability



Figure 258: Fuzhou – Housing affordability

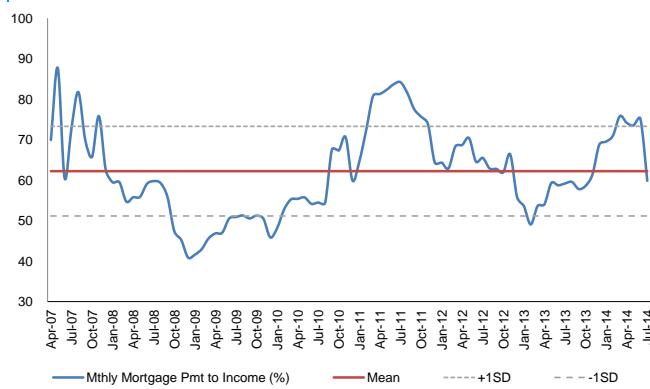




Figure 259: Xiamen – Housing affordability



Figure 260: Nanchang – Housing affordability



Figure 261: Jinan – Housing affordability

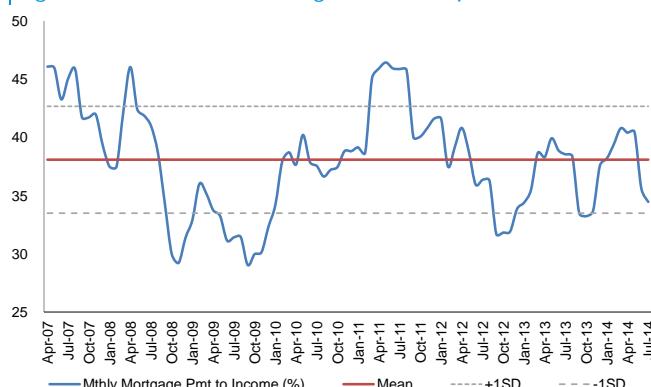


Figure 262: Qingdao – Housing affordability

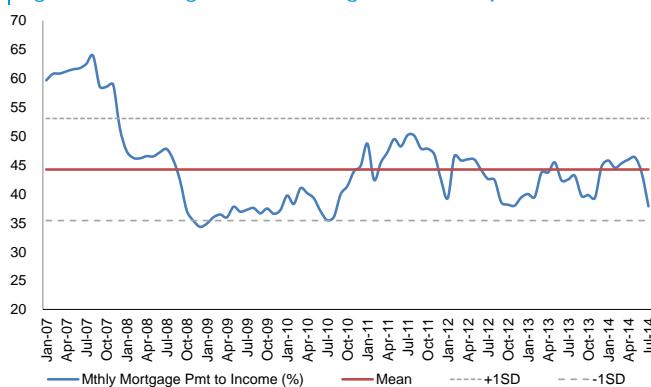


Figure 263: Zhengzhou – Housing affordability

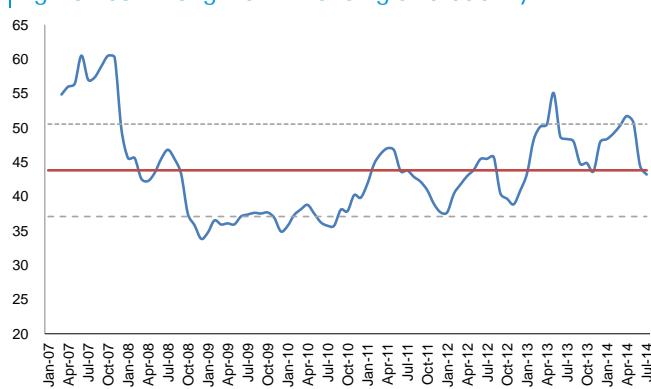


Figure 264: Wuhan – Housing affordability

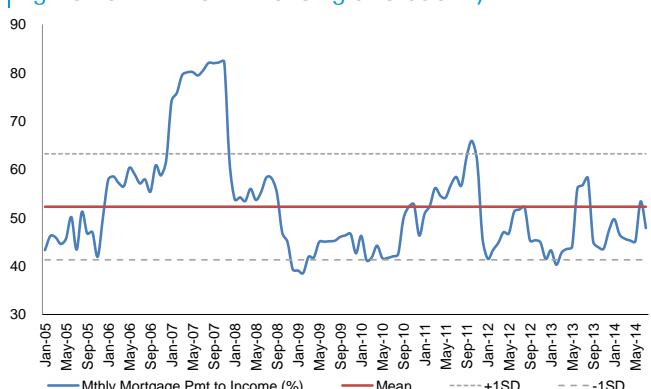




Figure 265: Changsha – Housing affordability



Figure 266: Nanning – Housing affordability



Figure 267: Haikou – Housing affordability



Figure 268: Guiyang – Housing affordability



Figure 269: Kunming – Housing affordability

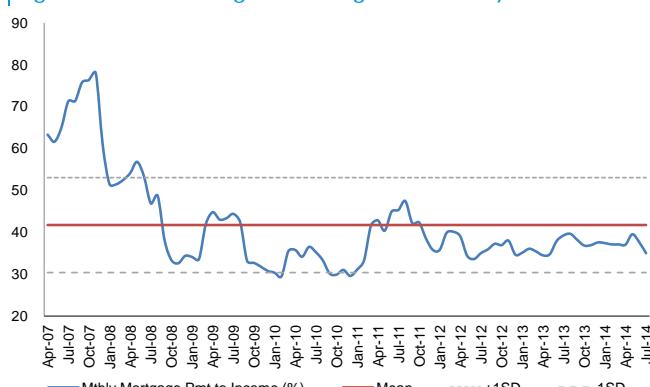


Figure 270: Xi'an – Housing affordability

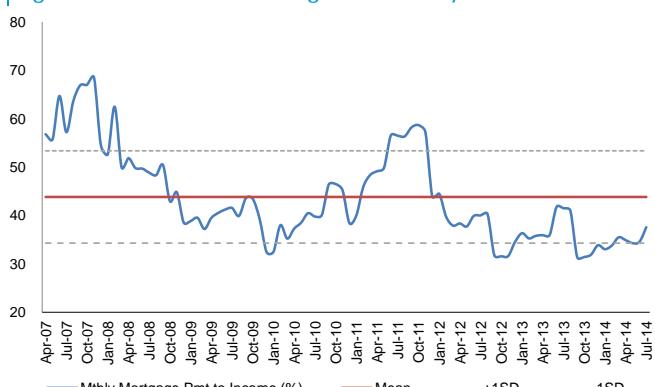
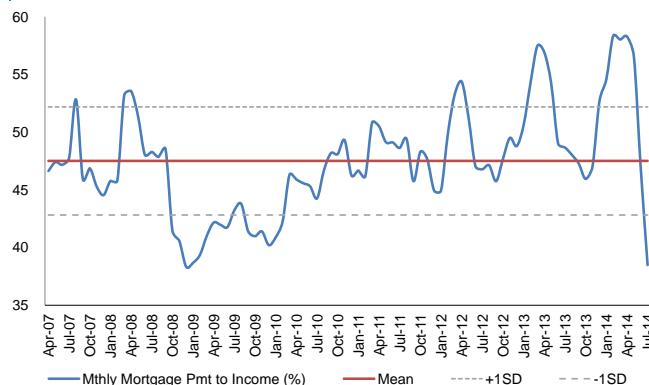


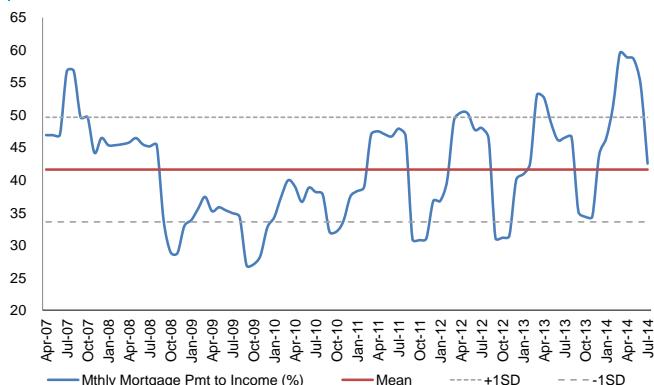


Figure 271: Lanzhou – Housing affordability



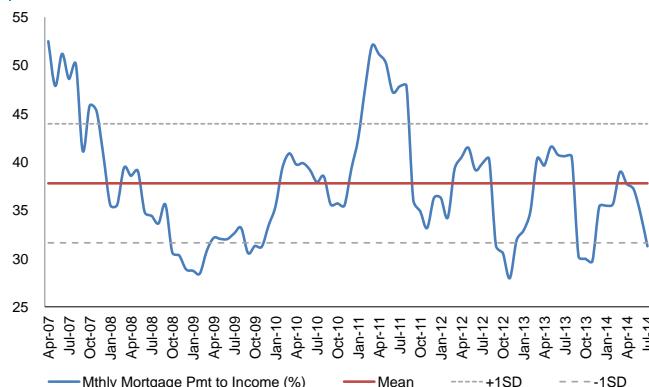
Source: Deutsche Bank, National Bureau of Statistics, Soufun

Figure 272: Xining – Housing affordability



Source: Deutsche Bank, National Bureau of Statistics, Soufun

Figure 273: Yinchuan – Housing affordability



Source: Deutsche Bank, National Bureau of Statistics, Soufun

Figure 274: Urumqi – Housing affordability



Source: Deutsche Bank, National Bureau of Statistics, Soufun



# Government policy summary

## Government policies on property sector

Figure 275: Summary of major property market-related policies

Date	Measures
7-Jan-07	Profit tax rate unification at 25% under review by Central Government.
15-Jan-07	People's Bank of China (PBOC) raises the reserve ratio by 0.5% to 9.5%.
16-Jan-07	Strict implementation of LAT settlement for developers, effective 1 February 2007.
1-Feb-07	Land use tax up 200% but magnitude differed by cities. It was also imposed on foreign entities that had previously been exempt.
6-Feb-07	Ministry of Construction to check how local governments carry out property construction plans, especially on economic homes that are built for lower-income group. Local government officials to be punished for not: 1) following property plans and 2) curbing soaring property prices. Economic houses to be checked first.
16-Feb-07	PBOC raises reserve ratio by 0.5% to 10%, effective 25 February 2007.
26-Feb-07	Ministry of Construction requests all cities and counties to establish a public rental housing system this year. In addition, each city and county has to specify a certain percentage of its land sales revenue to build public rental housing. The ministry is targeting a ratio of about 5%. It has put the establishment of a public rental housing system as the top priority work for the year
17-Mar-07	PBOC raises interest rate by 27bps After the increase, the benchmark 1-year deposit and lending rate rose to 2.79% and 6.39% respectively. The base 5-year lending rate is now 7.11%. Based on a 0.85x to this rate, the mortgage rate in China will now be 6.04%.
2-Apr-07	PBOC raises reserve ratio by 0.5% to 10.5%, effective 16 April.
29-Apr-07	PBOC raises reserve ratio by 0.5% to 11%, effective 15 May.
	PBOC announces three measures at one time:
	1) The daily band in which RMB is allowed to fluctuate is widened from 0.3% to 0.5%, effective 21 May 21.
	2) Increases in both benchmark lending rate and deposit rate, effective 5 June.
19-May-07	Lending rate for 6-month to 5-year loan is increased by 0.18% and the increase is narrowed to 0.09% for loans of 5 years or above. Deposit rate for 3-month fixed deposit is increased by 0.09% and the increase is stepped up by 0.09% for every longer term of fixed deposit, ending up with a 0.54% increase to 5-year fixed deposit. After the adjustment, one-year lending rate is raised 0.18% to 6.57% while the one-year deposit rate is raised 0.27% to 3.06%.
	3) The reserve ratio for commercial banks is increased from 11% to 11.5% starting 5 June, the fifth increase this year.
23-Jul-07	PBOC raises the savings rate and lending rate by 0.27%.. After the adjustment, 1-year savings rate will increase from 3.06% to 3.33% while the lending rate will increase from 6.57% to 6.84%.
23-Jul-07	PBOC lowers the tax rate on deposit savings from 20% to 5%, effective 15 August. The reduction is greater than the market expectation of a 10ppt decrease.
31-Jul-07	PBOC surprises the market by raising the required reserve ratio by 0.5%, the sixth time in the year. An estimated RMB185bn of funds will be frozen after the increase.
22-Aug-07	PBOC raises savings interest rate by 27bps, the fourth time this year. It also raises the 1-year lending rate by 18bps, effective 22 August. However, the issue of negative interest rate is not yet solved with the rate hikes. Interest rate for 1-year deposit is 3.42% after deducting the tax on deposit interest, still falling short of the CPI of 5.6% for July 2007.
28-Sep-07	PBOC announces the mortgage restriction on residential and commercial purchase in China. For the first home purchase, the down payment ratio of small units (less than 90sqm) is 20% and that for units of 90sm or above is 30%. For the second home purchase, down payment ratio is no less than 40% and the mortgage rate must not be less than 1.1x of the base lending rate by PBOC (i.e. 5.742%). Moreover, it is required that the monthly mortgage payment must not take up more than 50% of the monthly income of the home buyers. On commercial property, the down payment ratio is no less than 50% for the first purchase. The mortgage period is capped at 10 years and the mortgage rate is also kept at 1.1x of the base lending rate.

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 276: Summary of major property market-related policies (Cont'd)

Date	Measures
11-Oct-07	A new measure on the payment of land premium: Under the new rule, land use right certificate would be granted to the buyers after land premium is fully paid. Currently, developers can pay land premium by stages and they could commence construction for the portion of land they have paid up. Such a practice is not allowed under the new rule, which will be effective 1 November. The rule is applicable to the land sold through any one of the auction, tender and listing method. However, it is not yet confirmed if the new measure can be applied retrospectively.
11-Oct-07	A new measure on land sale: The sale of mixed-use sites (i.e. the sites mainly for non-residential use such as industrial, commercial, entertainment or tourism, but with some residential portion incorporated, must be made through auction, tender or listing. The title transfer in the form of private negotiation is prohibited.
8-Nov-07	Restrictions on foreign investment: In the "Guidance on Foreign Investments", three property categories are included: 1) land development; 2) the development of serviced apartments, villas and Grade-A offices, and the development and operation of convention centres; and 3) real estate agents for secondary transactions. Foreign investments in these categories will be subject to restrictions. However, the NDRC has not specified the details of restrictions.
12-Nov-07	PBOC announces to raise required reserve ratio by another 50bps to 13.5%, effective 26 November. This is the ninth increase in the year and brings the reserve ratio to a historical high.
22-Nov-07	The Ministry of Construction urges local governments to strictly adhere to the housing supply plan for 2008 and 2009. It clearly states that the supply of five types of housing, namely public rental housing, economic housing, ordinary commodity housing, housing for middle-to-low income and small-to-medium-sized units, should make up not less than 70% of the total land supply.
10-Dec-07	PBOC raises the reserve ratio by 1% to 14.5%, effective 25 December. This is an act in response to the tightened monetary policy, strengthening the liquidity control in banks and slowing down the credit growth in China.
21-Dec-07	PBOC raises the benchmark one-year deposit and lending rate for the sixth time in 2007, intending to curb surging inflation and prevent overheating of the economy. It increases the one-year deposit rates by 27bp to 4.14% and the one-year lending rate by 18bp to 7.47%, effective 21 December.
	The State Council reinforces its determination to solve the idle land problem. In addition, all local governments have to report their progress on clearing idle land to the State Council by end-June 2008. It said the Ministry of Land Resources would formulate a concrete implementation plan for four key areas:
8-Jan-08	1) Confiscating land sites sitting idle for more than two years; 2) Imposing a 20% surcharge on the land price for the land sites sitting idle for less than two years; 3) Suspension of land supply for building villas to continue; and 4) Strictly prohibiting the conversion of farmland into residential use. All local governments have to report their progress on clearing idle land to the State Council by end-June 2008.
16-Jan-08	PBOC raises reserve ratio by 0.5% to 15%.
31-Jan-08	The national land resourced department sets the target to clear all the idle land before April 2008 and the settlement works to be completed by June 2008.
18-Mar-08	PBOC raises reserve ratio by 0.5% to 15.5%.
1-Apr-08	State Administration of Taxation: Income tax provision ratio increased to 20% from 15% of pre-tax income of property enterprises.
16-Apr-08	PBOC raises reserve ratio by 0.5% to 16%.
12-May-08	PBOC raises reserve ratio by 0.5% to 16.5%.
15-Sep-08	Central Bank: Effective 19 September, cuts 1-year base lending rate by 27bps and RRR by 100bps, deposit rates remain the same; From 25 Sept, RRR cut by 1ppt for smaller banks, with the exception of ICBC, CCB, BOC, BOA, BoComm and Post Bank.
1-Oct-08	Ministry of Finance: Cuts property deed taxes by .5ppt to 1% effective 1 Nov, while eliminating the stamp duty and LAT for housing purchases of less than a 90sqm threshold.
	Central Bank: Joint global interest rate cuts, effective 9 Oct:
8-Oct-08	1) Both base one-year lending and deposit rates will be cut by 27bps. 2) Starting 15 Oct, RRR will be cut by 50bp. 3) The 5% interest income tax is abolished. 4) Banking authorities announce that minimum down payment requirements will be reduced to 20% from the current 30% level. 5) First-time buyers will enjoy a 30% discount on the base commercial lending rate.
	Ministry of Finance:
	1) Lowers the deed tax to 1% for first-home buyers of ordinary housing units of below 90 sqm. 2) Temporarily suspends the levy of stamp duty for all individual housing transactions (for both buyers and sellers). 3) Temporarily suspends the Land Appreciation Tax imposed on all individual housing transactions.
22-Oct-08	4) Lowers floor of the mortgage rate for first-home buyers/upgraders of ordinary housing units to 70% of the benchmark lending rate. 5) Lowers down payment ratio for first-home buyers/upgraders of ordinary housing to 20%. 6) Lowers the mortgage rate of the housing provident fund by 0.27%. 7) Allows local governments to introduce more supportive measures on their own to encourage housing transactions.
29-Oct-08	Central Bank: Cuts benchmark one-year deposit and lending rates by 27bps from 30 Oct.
	State Council's announces an RMB4tr stimulus package.
	The government plans to increase spending in the following 10 areas:
8-Nov-08	1) Low-rental housing construction and upgrading of poor quality homes; 2) Rural infrastructure for gas, drinking water and electricity; 3) Transportation infrastructure such as railways, highways and airports; 4) Healthcare, education and cultural development; 5) Environmental protection and waste treatment; 6) Technological innovation and structural upgrading; 7) Post-earthquake reconstruction; 8) Income support for rural and urban residents; 9) Extension of VAT reforms; and 10) Stronger financial support for growth.

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 277: Summary of major property market-related policies (Cont'd)

Date	Measures
26-Nov-08	Central Bank: Cuts benchmark one-year deposit and lending rates by 108bps from 27 Nov; Cuts reserve ratio for large financial institutions including ICBC, ABC, BOC, CCB, CBC and Postal Savings, and Bank of China by 1ppt and small and medium financial institutions by 2ppt from 5 Dec.
3-Dec-08	PBOC launches nine financial measures to boost economy, including: 1) Using tools as RRR, interest rates and exchange rates to ensure adequate liquidity for the banking sector; 2) An extra Rmb100bn of credit volume for 2008 would be given to the country's three policy banks: China Development Bank, China Export and Import Bank and China Agricultural Development Bank; 3) Improving the credit service of commercial banks to meet the demand for loans among medium- and small-sized enterprises, investors in the countryside as well as consumers such as house and car buyers; 4) Speeding up the creation of a stronger capital market; 5) Updating methods of financing; 6) Improving the management of foreign exchange; 7) Using fiscal funds to help the financial sector reduce bad assets; and 8) Deepening financial reform to better monitor potential risks.
20-Dec-08	国务院办公厅关于促进房地产市场健康发展的若干意见 State Council: 1) Accelerates the construction of public housing (to build 1,300k units of public housing each year in 2009-2011); 2) Loosens credit control over the secondary ordinary residential house of upgraders; 3) For the period of 1 Jan 2009 to 31 Dec 2009, exempts business tax if owner sells home owned for >= 2 years (previously 5 years); business tax will be imposed on the appreciation value if owner sells ordinary home owned for < 2 years (previously imposed on total sales proceeds); and business tax will be imposed on the appreciation value if owner sells non-ordinary home owned for >= 2 years (previously 5 years), but no change for business tax imposed on non-ordinary home owned for < 2 years; 4) Improves the financing channel for developers.
22-Dec-08	PBOC announces the fifth rate cut in recent month, i.e.: 1) Cuts 1-year lending rate to 5.31% from 5.58% and the over-5-year lending rate by 18bp to 5.94%. 2) Lowers RRR by 0.5% to 15.5% for big banks and to 13.5% for smaller banks, effective 25 Dec 2008.
1-Jan-09	Beijing: 1) to intensify the development of ordinary commodity houses and welfare houses, 2) to encourage house consumption for self-use and upgrading purpose, 3) to maintain stable and healthy development of the Chinese property market, and 4) to emphasize the property market monitor and analysis and policy understanding. The detailed suggestions include: 4) To accelerate the commencement of 8.5m sqm GFA welfare houses construction in 2009 as planned. To ensure that the welfare houses and price limit houses projects under construction reach the 2m sqm completion target smoothly, so as to further solve the housing problems of low-income households. 5) To relax the limit on second mortgages. Second mortgage can also enjoy the same benefit policy as first mortgage if house consumption is for self-use and upgrading purposes. 6) To temporarily suspend (from 1 Jan to 31 Dec) the controls and limits on house purchases by foreigners regarding their residence period and number of units purchased. 7) To support the reasonable financing demand of property developers, especially projects containing medium- or small-sized units and targeting low-income households. 8) To extend the land premium payment term if the developers have difficulty paying full premium in time. The extension cannot exceed six months.
3-Mar-09	Guangdong to: 1) Enhance the construction of welfare houses. 2) Further encourage the consumption of ordinary commodity houses. 3) Support developers to actively react to market challenges. 4) To encourage consumption: PPF's (Public Provident Fund) upper limit per household will be increased to RMB800,000 from the previous RMB650,000. In addition, HPF is also allowed for house purchases by direct relatives (including parents and children). Mortgage loan terms can be extended to 30 years. Furthermore, there are several tax deductions or exemption for second-hand house transactions. Local residences can be provided on a contingent basis to house buyers. HK and Macau residents can enjoy the same policies as residents of Mainland China on house purchases. 5) To support developers: For land parcel purchase contracts signed in 2008, developers can apply for premium payment extension of up to two years if they have serious difficulties in arranging the payment on time. The government would provide funding facilitation in various forms to developers with solid fundamentals, a good credit record, and strong competitiveness. The government would also give developers currently listed overseas support to A-share issuance in order to access funding in the capital market. REITs could be tested on developers with good credit and quality assets. LAT could be paid by instalment for developers with temporary cash flow constraints.
29-Apr-09	The State Council slashes the minimum capital requirement ratio for ordinary residential developments from 35% of the total project cost to 20% effective 27 May. The council also lowered the minimum capital requirement ratio for commercial property and high-end housing projects from 35% to 30%.

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 278: Summary of major property market-related policies (Cont'd)

Date	Measures
Mid June-09	Beijing reinstates its policy on second mortgage as 40% minimum down payment and 10% premium to the base commercial lending rate.
Mid July-09	Hangzhou, Shenzhen, Nanjing, Shanghai and Chengdu adopt similar policies.
17-Jul-09	CBRC Chairman Liu Mingkang says local financial institutions should follow the second mortgage policy stringently to avoid credit risk, and all the banks' provision coverage ratios must be above 150% by year-end.
12-Sep-09	The State Council decides that the holding period eligibility for second-hand housing business tax exemption will be extended from two years to five years; other related housing policies will remain unchanged.
17-Nov-09	Ministry of Land Resources and NDRC jointly issue policies on land use in China. Limits to be imposed on how much land can be used for development. For commodity residential land, in cases of land transfer area, the limit for a small city (town) is no more than 7 hectares; for medium-sized cities no more than 14 hectares; and for cities it cannot be more than 20 hectares (300 acres).
17-Dec-09	Five central government departments jointly announce that the down payment for developers in acquiring land through public channels should not be lower than 50% of the total land cost. Moreover, the outstanding land cost has to be paid within one year, with a maximum two-year period for exceptional cases.
29-Dec-09	Shanghai government announces that the holding period eligible for second housing personal income tax exemption will be extended from 2 years to 5 years. 1% deed tax is required for first ordinary housing buyers who buy a house smaller than 90sqm. Second-house interest rate discount can be availed by buyers whose first housing GFA per person is below the Shanghai average. Housing purchase related fee such as housing registration fee and transaction commission charge will be restored.
31-Dec-09	Shanghai PHF announces that the upper limit for PHF loan on second housing is reduced from RMB800,000 to RMB600,000 per family.
7-Jan-10	<b>国务院办公厅关于促进房地产市场平稳健康发展的通知</b> State Council: 1) Increases the supply of public housing and commodity housing; 2) Requires at least 40% down payment for second home mortgage loan.
8-Jan-10	Nanjing announces that first down payment for new land should be strictly no less than 50%, and single new land parcel auctioned should not exceed 200,000 sqm of site area in future.
9-Jan-10	Hefei announces that all land auctioned should specify starting date and completion data in future.
10-Jan-10	Ningxia announces that all commodity houses cannot raise prices for six months after the time they are registered for sale.
23-Feb-10	Central government announces "Notice to Encourage Stable and Healthy Development of Real Estate Market." The notice mandates at least a 40% down payment for a second mortgage. It also requires cities to experience a significant property price increase to push for more welfare housing supply in the near term.
23-Feb-10	China Banking Regulatory Commission (CBRC) orders banks to inspect their existing loans to companies used by local governments to raise funds, and to stop lending to those projects that are backed by expected fiscal revenues, the official Shanghai Securities News said, citing unnamed sources. The newspaper also reported that the CBRC has ordered trust companies to ensure that they are not providing credit to developers to build up land bank.
10-Mar-10	<b>MLR:</b> 1) China requires a down payment for land purchases equal to 50% of a plot's price, the Ministry of Land and Resources said on its website. The down payment must be paid within a month of signing a contract for the land purchase, the ministry added. 2) Buyers must also pay a deposit when taking part in land auctions that are equal to 20% of the minimum price for the land, according to the statement. 3) It also announced that the amount of land supply for social welfare housing, residential redevelopment properties and owner-occupied ordinary commodity housing must not be less than 70% of the total land supply. 4) Terms and conditions regarding the land sale for the use of mid- to low-end ordinary commodity housing will include requirements on selling prices, number of units and the size of units. These terms will be included in the contract and a penalty will be set upon breach of contract. 5) Should development projects not meet the deadlines for the start of construction and completion, developers are required to submit an explanation 15 days prior to the deadline.
18-Mar-10	The Assets Supervision and Administration Commission (SASAC) announces that 78 central state-owned enterprises without property development as their core business will withdraw from the industry. The 78 SOEs and their subsidiaries will not be allowed to conduct future property business after finishing existing projects. The companies whose names are not listed must expedite plans to exit the industry, according to the SASAC.
19-Mar-10	The Beijing Municipal Bureau of Land and Resources announces that sites would now go to the bidder offering not the highest but the most reasonable price. The highest bidder in a Beijing land auction is no longer guaranteed to win the site, under a new policy announced by the municipality.
1-Apr-10	Agriculture Bank of China announces that the first mortgage interest discount will be reduced to 20% instead of 30%, starting from 1 April. Since then, the Big Four state-owned banks all officially stop providing 30% discount on home mortgages.
1-Apr-10	Developers wanting to do IPO or secondary offering should pass the investigation of MLR. Developers with land hoarding, due but still outstanding land premium payment, and other illegal behaviour will be banned from China IPOs or secondary offerings.

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 279: Summary of major property market-related policies (Cont'd)

Date	Measures
15-Apr-10	<p>国务院关于坚决遏制部分城市房价过快上涨的通知</p> <p>State Council: To firmly curb soaring home prices:</p> <ol style="list-style-type: none"> <li>1) 30% minimum down payment for first homes larger than 90 sqm in size; 50% down payment on second home mortgage and 1.1x base rate interest; significantly increases down payment ratio and interest rate on third home mortgages.</li> <li>2) In regions with over-heated property price, fast property price increase and tight supply, banks can temporarily stop offering third-home mortgage based on risk assessment. Banks should temporarily stop offering mortgages to non residents without local tax-payment proof or social security payment proof.</li> <li>3) MOF and SAT should accelerate study on property-related tax policies. Tax bureau should strictly implement the LAT rules, particular on those high-price projects and projects with fast price increase.</li> <li>4) Accelerate reclaiming idle land and give priority to this reclaimed land for ordinary house development.</li> </ol>
20-Apr-10	<p>住房城乡建设部关于进一步加强房地产市场监管完善商品住房预售制度有关问题的通知</p> <p>MOHURD: To further improve home pre-sale system and strengthen market superintendence:</p> <ol style="list-style-type: none"> <li>1) Developers are not allowed to collect any forms of deposit before pre-sale.</li> <li>2) All units on the pre-sale permit should publish the price of each unit within 10 days since the permit is granted.</li> <li>3) Minimum lot for each pre-sale permit is one entire building. Application for pre-sale permit by batch according to floor or unit will not be approved.</li> <li>4) Presale proceeds should be supervised under special account to ensure proceeds are used in project development.</li> <li>5) Buyers are not allowed to make transfers on units reserved in their names.</li> </ol>
26-Apr-10	CBRC pledges to circulate regulations governing the investment of insurance capital in the real estate sector. Without approval, insurers are prohibited from investing in the real estate sector before the publication of the regulations.
30-Apr-10	<p>Beijing: Limit the number of new homes each family can buy to one. Financial institutions and the tax department could have differentiated credit and tax treatments.</p> <p>Hainan: 1) 10% of land premium will be used in social welfare housing construction. 2) All home purchase contracts should be signed online within 10 days of signing the off-line contract. Transfer of title after that will be deemed as selling property and will be taxed the same as selling.</p> <p>Shenzhen: Stop providing third-home mortgages and mortgages to non-local-residents without local tax proof and social security proof, and affordable housing should be no less than 30% of total supply.</p>
7-May-10	MOHURD discusses with CBRC to blacklist developers for inventory hoarding to create artificial shortage, purposely failing to start selling within the required time and price manipulation. These developers will face restrictions in fund-raising and restructuring.
17-May-10	<p>Beijing clarifies the definition of a second home: The following 7 situations would also lead to mortgages being second-home mortgages:</p> <ol style="list-style-type: none"> <li>1) A couple uses mortgages to buy home when married, but get divorced and buy a new home;</li> <li>2) The wife and/or the husband has already bought a home before marriage, and they buy a new home after marriage;</li> <li>3) An adult already has a home, but use his/her son's/daughter's name to buy a new home;</li> <li>4) A person already has a home before being an adult, and buys a new home after becoming an adult;</li> <li>5) A person has bought his/her first home with full cash, and buys another home with mortgage;</li> <li>6) A person has bought a first home with mortgage, but sells the first home and buys a new home; and</li> <li>7) A person has already used a commercial bank mortgage to buy a first home, and uses a housing provident fund to buy a new home.</li> </ol>
18-May-10	10 bureaus in Beijing cooperate to enforce property regulations to find out and punish developers' illegal and inappropriate behaviour in their operations. Focuses of the enforcement include investigating and punishing developers with stock hoarding, price manipulation, land hoarding, delaying due outstanding land premium, etc.
19-May-10	Zhejiang 18 details rules in line with central government measures:
	Rules include a 30% down payment on ordinary houses larger than 90 sqm and a 50% down payment on second homes with interest rate 1.1x the prime rate. Some cities experiencing rapid price increases could temporarily stop providing third-home mortgages, or stop providing home mortgages to non-residents. It also mentions a tax to guide individual consumption and gain on property. It encourages cities to try stopping the pre-sale practice if situations allow.
27-May-10	State Administration of Taxation issues a notice on LAT settlement and clarifies several details of how to calculate LAT. According to the notice, interest cost can be deducted if there is proof from a financial institution, but interest rate is capped at the commercial bank lending rate of a similar type and similar time period. If there is no proof, deduction limit is less than 10% of total construction cost plus land cost. Other development-related cost deduction limit is less than 5% of total construction cost plus land cost. This is expected to significantly increase tax liability of developers, as under the current situation most developers have not paid the full amount under the provision method.

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 280: Summary of major property market-related policies (Cont'd)

Date	Measures
3-Jun-10	The SAT issued a notice yesterday that LAT prepayment rate for Eastern China area should be no less than 2%, for Central China and Northeast China 1.5% and for West China 1%. The local government should adjust the pre-payment rate based on different types of property.
4-Jun-10	China State Taxation Administration is asking local tax branches to start setting 3-5 examples in their territory to settle LAT. The 3-5 examples will be projects that have seen a fast price increase or are high price projects. These settlements are expected to set as examples for future settlements on more projects.
4-Jun-10	MOHURD, PBOC and CBRC jointly issue a notice with the official definition of second homes. The new definition is stricter than expected and stricter than the version announced in 2007, when the restrictions on second home mortgages were first introduced. Specifically, according to the notice, a second home for the purposes of applying a mortgage would be defined on the following bases: Family as a unit – the mortgage applicant, his/her spouse, and their children who have not reached adulthood would all be classified as a single entity when determining the number of homes and/or mortgages that the applicants already have. Both the history of owning a physical property and a mortgage will be included. This means that when determining whether a mortgage should be a second home mortgage, both the applicant's (and his/her family's) record of owning property and record of existing mortgages will be taken into account. For example, if the applicant is proved to own a home in his/her registered area, even if he/she has not previously applied for mortgages, his/her application would be defined as a second home mortgage. As another example, if the applicant already has taken out mortgages before, his/her mortgage application would still be regarded as a second home mortgage regardless of whether he/she has already repaid the previous mortgages.
4-Jun-10	CSRC to suspend approval for listing via "shell companies". The CSRC has suspended its approval of the listing of property companies via shell companies. In our view, this represents another move by the government to cut the financing sources of the developers and to reduce the ability of the developers to sit on land bank and properties, thereby forcing them to cut prices and release more property (and potentially land bank) into the market.
22-Jul-10	China plans to start levying property tax in 2012 in a pilot programme that will first be rolled out in several cities, local media said.
5-Aug-10	Regulators order lenders to test the impact of a fall in house prices of up to 60% in key cities and instruct banks to stop extending mortgages to people buying their third homes in four of the cities -- Beijing, Shanghai, Shenzhen and Hangzhou.
6-Aug-10	Chinese regulators call for stress tests on loans to a wide range of industries, including cement and steel, whose fortunes are closely tied to the property market.
16-Aug-10	MOHURD has been requested to prepare two lists of developers - the first list containing "good developers" who have been following good market practices, and the second list including "bad developers" who have not been following government regulations and policies and have been penalized by the government in the past. The two lists would be used by the regulatory authorities for monitoring.
18-Aug-10	Beijing plans new rules for supervising and managing advance payments for commercial property pre-sales. Under the new rules, which may be implemented this year, housing developers may be banned from receiving advance payments from homebuyers directly. Buyers would instead be required to make the advance payments to a designated bank account.
21-Aug-10	MLR plans to initiate a more serious accountability system in September, wherein the senior government officials of the different cities will be held accountable for improper land uses and land hoarding activities in their own jurisdiction.
2-Sep-10	The NBS says that a series of reforms should improve the accuracy and credibility of China's official statistics. The statistics reform was scheduled to take effect next year, while the old method would still be used for reference. The NBS said it will conduct a thorough investigation on China's housing vacancy rate, in a few selected cities at first.
2-Sep-10	Shanghai orders strengthening supervision on home presales. Relevant authorities will strictly enforce regulations on home presales and intensify efforts in investigating violations. Projects with a GFA of less than 30ksqm should be applied for one-time presale permits; and projects with total GFA larger than 30ksqm and must be launched in several phases to apply for presale permits for each phase, but each phase must have GFA of not less than 30ksqm. Pre-sales by developers of under 30ksqm have to be applied for sale all at one time. Relevant authorities will also crack down on other misconducts in the market by developers or agencies.
28-Sep-10	Developers to be banned from bidding for more land if they have land idle for more than one year, illegally transferred land, or developed land in breach of agreements; the government will also increase land availability for smaller, affordable apartments in cities with high real-estate prices, and no parcels should be used to build large, expensive properties before the supply of government-supported housing ends in the market.
29-Sep-10	The central government announces new measures of property cooling policies, to:
	1) suspend third home mortgages by all banks; 2) raise down payments on all first-time home purchases to 30% (20% previously for homes less than 90sqm); 3) hold local government officials accountable for implementing central government measures that will be strictly enforced; 4) significantly increase residential land supply and the small/mid-sized home supply, while accelerating public housing construction; 5) accelerate the property tax programme rollout; 6) cancel personal income tax deduction for those who sell homes and buy a new one within 1 year; 7) halve the deed tax for buyers of ordinary homes that are used as the family's sole residence and reduce the deed tax rate to 1% for the homes less than 90sqm; and 8) restrict number of homes a single household can purchase in cities with high/soaring home prices.
1-Oct-10	Xiamen stipulates that from 1 Oct 2010 to 31 Dec 2010, each household is allowed to buy one additional home in Xiamen. Projects must be launched in 10 days after obtaining pre-sale permit and no hoarding is allowed. Fuzhou launched home presale online registration system on 1 Oct 2010, demanding that developers should sign sales contract with buyers within 1 month of agreement sales. At the same time, Fujian will accelerate the public housing construction to meet its completion target of 63,800 units this year.

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 281: Summary of major property market-related policies (Cont'd)

Date	Measures
7-Oct-10	<p>Shanghai announces a new set of 12 tightening measures. The more significant measures are:</p> <ol style="list-style-type: none"> <li>1) 1 additional home can be purchased per family regardless of whether they are Shanghai residents or not. Those who violate this rule would not have their purchase registered by the government.</li> <li>2) Raising LAT prepayment for properties. The relevant bureaus should strictly enforce the rules on LAT collection. For a property project whose overall ASP is less than the previous year's overall ASP of the district where the project is in, the LAT prepayment rate should be 2%. For a project whose ASP is less than 100% higher than the district's average, the LAT prepayment rate has to be 3.5%. For a project whose ASP is over 100% higher than the district average in the previous year, the LAT prepayment rate has to be 5%.</li> <li>3) Mortgage down payment on all first home purchases should be at least 30%. Banks have to stop all mortgages for third homes and above.</li> <li>4) For obtaining each pre-sale permit, the GFA has to be at least 30ksqm. For projects with less than 30ksqm, the whole project should be covered by one pre-sale permit.</li> <li>5) Increasing total land supply to meet the 2010 target of 1,100 hectares.</li> </ol>
10-Oct-10	Fuzhou also announces that from 10 Oct 2010 to 31 Dec 2010, each locally domiciled household is allowed to buy one additional home in five major districts of Fuzhou; for non-locals with at least 1 year of tax and social security payment record, one home is allowed.
11-Oct-10	PBOC raises the reserve requirement of the big four banks, CMB and Minsheng Bank by 50bps for two months. Currently, the statutory reserve requirements are 17% for big banks and 15% for small and mid-sized banks.
11-Oct-10	Hangzhou starts to restrict the number of homes a single household can purchase. The version is similar to other cities but allows both local and non-locals to buy one additional home in Hangzhou. The Hangzhou government says that it will also focus on promoting public housing construction and will publish the public housing plan for 2011-2015 soon.
12-Oct-10	Jiangsu province publishes a circular to control soaring home prices in the province. The circular specifically mentions that cities with high home prices or soaring prices should restrict the number of homes a single household is allowed to purchase, for a certain period of time. Another thing notable is the circular demands that detailed land use and built home prices be included in the contract of land sales for limited-price housing construction.
12-Oct-10	<p>Nanjing:</p> <ol style="list-style-type: none"> <li>1) accelerates public housing and ordinary residential housing construction;</li> <li>2) strictly performs differentiated mortgage policy required by the central government;</li> <li>3) halves the deed tax for ordinary homes purchased as and sole home for a household; reduces the deed tax further to 1% if the home is less than 90 sqm;</li> <li>4) restricts single household's housing portfolio up to two homes;</li> <li>5) enforces the "One Price for One Home" policy and forbids developers to raise the ASP specified in pre-sale permits arbitrarily within 3 months of obtaining pre-sale permits, while launching stricter LAT collection and inspection.</li> </ol>
13-Oct-10	Shanghai Municipal Public Housing Administration Center will no longer extend loans to second-home buyers if the average floor area of their first home per family members is larger than the local average of 34sqm. Moreover, loans to second-home buyers are capped at RMB400,000 if the floor area of the first home per family member is no more than 34sqm. The fund also stops lending for purchases of third and more homes, in line with the national policy. For a family's first-home purchase, the loan is capped at RMB600,000 and the down payment is at least 20% if the home is no larger than 90sqm, and it is 30% if the home is larger than 90sqm.
14-Oct-10	Chengdu: strengthens the supervision on home presale revenue starting 10 Nov. Pre-sales proceeds of developers are to be kept in a special monitored account and banks will pay out funding to developers depending on their construction progress.
15-Oct-10	<p>Guangzhou: 1) Places restrictions on number of homes purchased: For families with Guangzhou resident account or those with one year proof of tax payment or social insurance payment, one more apartment can be purchased per family. For non-residents who do not have one year proof of tax or social insurance payment, no properties can be purchased. For individuals not reaching the age of 18, no apartment can be purchased. For foreign institutional and personal homebuyers, the regulations of the central government would be strictly followed.</p> <p>2) All banks need to stop mortgages for third homes. Also, homebuyers who do not have a resident account in Guangzhou and who do not have 1 year proof of tax payment or social insurance payment would not be given a mortgage.</p> <p>3) For property projects with obvious price premiums over nearby projects, the government would pursue investigation and strict LAT collection.</p>
18-Oct-10	Dalian: 1) Single households can purchase one more home in Dalian; 2) stop third+ home mortgage loans; 3) 30% down payment for all first home buyers and 50% for second home buyers; 4) increase land/public housing supply; and 5) regulate home price and punish any misbehaviour.
19-Oct-10	PBOC announces plans to raise the benchmark deposit and lending rates by 25bps; mortgage rates also raised by 25bps.
25-Oct-10	Beijing: Monitor pre-sale fund starting from 1 Dec; all pre-sale funds will be deposited in a special bank account to be monitored for project construction uses. Developers will not be allowed to receive pre-sale funds directly. Pre-sale funds include home buyers' deposits, down payments and mortgage loans. One account should be opened for one pre-sale permit.
26-Oct-10	Wuhan: 1) Mortgage for 3rd+ homes are suspended; 2) down payment of at least 30% is required for first home purchase. For second home buyers this should be at least 50% and the mortgage rate should not be less than 1.1x of the benchmark rate; and 3) to build at least 10m sqm of public housing during 2011-2015 to provide housing for over 200,000 low-income households.

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 282: Summary of major property market-related policies (Cont'd)

Date	Measures
3-Nov-10	MOHURD: For first home buyers, the Public Housing Fund (PHF) will also require a down payment rate of at least 30% if the home size is larger than 90sqm, or at least 20% if the home size is less than or equal to 90sqm. For second home buyers, the down payment rate should still be at least 50% and the mortgage rate should be at least 1.1x of the benchmark PHF lending rate.
3-Nov-10	Suzhou: Households are allowed to purchase one more home in the city, regardless of currently owned number of homes. New projects are not allowed to raise prices freely within 3 months of obtaining pre-sale permits.
3-Nov-10	MOHURD, MOF, PBOC, CBRC: National Public Housing Fund should stop third or more home mortgage loans. Minimum 30% down payment for first home buyer with a home size larger than 90sqm (still 20% for home size less than 90sqm). Minimum 50% down payment for second home buyer while raising mortgage rate to 1.1x of the benchmark rate.
14-Nov-10	Lanzhou: Local households are allowed to purchase up to 2 homes in the city, non-local households are allowed 1 home purchase in the city. The original version published on 5 Nov restricted all household to 1 home and banned people under the age of 18 to buy homes. The original version was modified on 14 Nov to be similar with other cities' versions.
14-Nov-10	MLR and SAFE: Foreign individuals will be allowed to purchase one residential property for own use, and overseas institutions will be allowed to purchase non-residential property in the city where it is registered. The notice also detailed methods for qualification inspections.
19-Nov-10	PBOC raises the deposit reserve requirement ratio for banks by 50bps from 29 Nov.
21-Nov-10	Chengdu: At least 50% down payment required for second home Public Housing Fund (PHF) mortgage loan.
23-Nov-10	MOHURD and MLR to launch a large scale investigation on whether local governments have carried out the central government's property tightening policy thoroughly.
25-Nov-10	China Securities Regulatory Commission (CSRC) confirms that it has suspended the approval for property sector reconstruction. No such reconstruction cases have been approved year to date. Now developers must obtain the approval from the Ministry of Land and Resources before filing the reconstruction application with the CSRC.
29-Nov-10	Beijing's Public Housing Fund (PHF) centre will stop mortgage loans for second home buyers with living area larger than 28.81sqm per head, which is the city's 2009 average.
30-Nov-10	Beijing re-opens pre-sale permit approval for luxury projects with ASP higher than RMB30,000/sqm.
2-Dec-10	MOHURD is reported to have sent out a notice nationwide to demand local governments report public housing plans for 2011-2015 before 10 Dec. According to the notice, MOHURD has set a target of 10m units of public housing to build in 2011, up 72.4% yoy from 5.8m in 2010, and most of these public housings are public renting houses.
3-Dec-10	The Political Bureau of the Communist Party of China (CPC) Central Committee announces that the country will implement an active fiscal policy and a prudent monetary policy next year and increase the flexibility and effectiveness of macroeconomic adjustments.
5-Dec-10	CBRC orders commercial banks again to tighten controls on their loans to property developers; and demands commercial banks to provide new development loans to 16 central state-owned-enterprise (SOE) developers whose main business is property development.
5-Dec-10	CBRC Trust companies to conduct compliance check and stress tests, especially on their trust products for property investment.
7-Dec-10	Beijing raises most of the cities' property sales LAT from 1% to 2%, effective from 1 Oct. Projects with a plot ratio of less than 1.0 will be imposed LAT of 3%; other projects a LAT of 2%. No LAT will be imposed on public housing sales. Deed tax rate is 1-1.5% for first home buyers and 3% for second or more home buyers.
22-Dec-10	China's Commerce Ministry intensifies scrutiny of foreign investment in China's real estate market.
25-Dec-10	The PBOC announces that it would raise 1-year deposit rate and lending rate by 25bps to 2.75% and 5.81% respectively with effect from 26 Dec 2010.
25-Dec-10	MOHURD raises Public Housing Fund deposit rate by 34bps to 2.25% and mortgage lending rate (>5 years) by 25bps to 4.3%, effective from 26 Dec 2010.
14-Jan-11	The PBOC announces that it would raise reserve requirement ratio for lenders by 50bps with effect from 20 Jan 2010.
26-Jan-11	国务院办公厅关于进一步做好房地产市场调控工作有关问题的通知
	State Council: <ol style="list-style-type: none"> <li>For mortgages on second home, the down payment should be at least 60%, raised from 50%. In addition, the interest rate has to be at least 1.1x the PBOC base lending rate;</li> <li>For municipal cities, provincial capitals and cities with too high or too fast an increase in property prices, local government needs to strictly implement home purchase restrictions. Essentially, for local families which already have 1 home, and for non-local families who can provide 1-year tax proof, they can buy 1 more home. For local families already with 2 homes and non-local families already with 1 home, or non-local families who cannot provide tax proof, they would not be able to buy new home;</li> <li>For re-sale of homes within 5 years of purchase, the seller needs to pay 5% business tax on sales proceeds. Also, local governments need to strengthen the mechanism for clearance of LAT;</li> <li>For the commodity housing market, in 2011, local governments need to introduce new land supply that cannot be lower than the average land supply in the past 2 years;</li> <li>Local governments need to strictly audit and monitor the source of capital of companies buying land in their cities.</li> </ol>
28-Jan-11	Shanghai launches property tax trial: <ol style="list-style-type: none"> <li>The tax will be levied at a rate of 0.6%. For homes with ASPs less than 2 times the city average, the tax rate will be reduced to 0.4%. The taxable value will be initially based on 70% of the purchase price and will be based on the appraisal value later. Homes not exceeding 60sqm in average size per head will be exempt from the tax.</li> </ol>

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 283: Summary of major property market-related policies (Cont'd)

Date	Measures
28-Jan-11	<p>Chongqing launches property tax trial on:</p> <p>For homes with ASPs 2-3 times higher than the city average, they will be taxed at a rate of 0.5%. This rate will increase to 1% for homes with ASPs between 3-4 times the city average, and further to 1.2% for homes with ASPs above 4 times the city average. The taxable value will initially be based on the purchase price, and may switch to be based on appraisal value in 3-5 years' time. The property tax will also be applied to existing and newly purchased villas.</p>
28-Jan-11	<p>A total of 386 cities have published stricter purchase restriction orders requested by the central government. Chongqing is an exception because it is pursuing a property tax trial programme.</p>
8-Feb-11	PBOC raises benchmark 1-year lending rate by 25bps to 6.1% and other rates accordingly, effective from 9 Feb 2011. Rate (>5 years) is raised to 6.6% p.a.
9-Feb-11	MOHURD raises Public Housing Fund deposit rate by 35bps to 2.60% and mortgage lending rate (>5 years) by 20bps to 4.50%, effective from 9 Feb 2011.
16-Feb-11	Beijing city publishes the strictest purchase restriction order that raises the 1-year tax/social security proof required by the central govt to 5 years.
18-Feb-11	PBOC raises Required Reserve Ratio (RRR) by 50bps, effective 24 Feb 2011.
28-Feb-11	Premier Wen Jiabao says China will start construction for 36m units of public housing in 2011-2015. For 2011 alone, there will be about 10m units public housing started (2008: 5.9m). Total investment on public housing would amount to RMB1.3tr in 2011.
9-Mar-11	<p>MOHURD holds a press conference on public housing and property tightening; the ministry reiterates that the government's objective is to stabilize home prices and the tightening measures already announced are long-lasting policies in nature, and stricter measures will be launched when necessary. In particular, local governments will be held accountable for failure to achieve implement this objective. Highlights are:</p> <ol style="list-style-type: none"> <li>1) Ensure new construction of 10m public housing units for 2011 (2.2m public rental units, 1.6m low rental units, 4m relocation units, and 2.2m other units).</li> <li>2) Establish a public housing system comprising mainly of public and low rental housing.</li> <li>3) Focus on supply/demand imbalance problem by increasing effective supply of ordinary residential housing.</li> <li>4) Discourage unreasonable housing demand via strict implementation of current and potentially more tax/administrative measures.</li> </ol>
14-Mar-11	Premier Wen Jiabao pledges to hold local governments accountable for reining in soaring housing prices. The central government will carry out inspections on local governments' efforts in curbing housing prices. A strict accountability mechanism will be established, he said. He called for the local governments to fulfil their responsibilities of regulating the property market. "First of all, the local governments should announce their targets in lowering the home prices and publicize related policies." The central government will closely follow the development of the country's real estate market to make more effective policies. He also stressed that the government will strictly ensure land supply for the 36m public housing to be built in 2011-2015.
16-Mar-11	NDRC requires sellers to set fixed prices for all types of new and existing private property that are sold from 1 May. The new rules, which extend to developers that receive approval to conduct pre-sales from 1 May and sellers of completed property projects, will require developers to publish the price of every unit for sale and stipulate fees and other factors that will add to the sale price. Sellers of property projects will be barred from using non-standardized pricing mechanisms to mislead buyers. Developers and agencies that receive approval to conduct pre-sales will have to publish prices for individual units and state the number of apartments available for pre-sale within a certain time frame. Once the price tag is set, sellers may choose to cut price on their own but cannot raise price without filling for approval.
18-Mar-11	PBOC to raise Required Reserve Ratio (RRR) by 50bps, effective 25 Mar 2011.
24-Mar-11	China will waive some transaction fees on residential properties and reduce other fees from 1 May to help ease inflationary pressure on real-estate transactions. These include fees for residential property down payments, transfers of residential property ownership through inheritance or between spouses, and lease agreements for public rental and low rental homes.
27-Mar-11	The Beijing Local Taxation Bureau is raising the amount of sales revenue that developers have to set aside for each project to pay for land appreciation taxes. Developers will have to pay the bureau 2%-5% of a project's sales proceeds. It didn't say how much developers are paying now, but some developers and analysts said the firms currently have to set aside 1%-2% of sales proceeds. The bureau said the levy won't apply to public housing projects.
28-Mar-11	Shanghai announces its home price control target to be lower than the growths of GDP and disposable income per capita this year, which is set to be about 8% pa. Nearly 40 cities had announced their home price control targets and most of them chose to use GDP and residents' income growth as major references. Shanghai is the first among the tier-1 cities to announce such targets.
29-Mar-11	Beijing, Shenzhen and Guangzhou announce their home price control targets to run ahead of the deadline of 31 Mar. Beijing's version is the most outstanding among all cities because it aims to bring home price stable with mild decline, which makes Beijing the only city that targets a price drop. Shenzhen and Guangzhou's versions are similar to Shanghai's.
31-Mar-11	Up till 31 Mar 2011, 657 cities shared their price growth targets which are widely believed unlikely to curb property price growth. Most major cities including Shanghai, Guangzhou and Hangzhou, aim to allow property prices to grow slower than their GDP or urban disposable income per capita, which implies growth of 10%-15%. Some cities have set a growth rate lower than the national average. Others, especially tier 3/4 cities, are planning to achieve a growth rate lower than that of last year.
5-Apr-11	PBOC announces plans to raise the benchmark deposit and lending rates by 25bps, effective 6 Apr 2011.
17-Apr-11	PBOC will raise Required Reserve Ratio (RRR) by 50bps to 20.5%, effective 21 Apr 2011.

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 284: Summary of major property market-related policies (Cont'd)

Date	Measures
10-May-11	MOHURD: Provincial governments should disclose all detailed info about their public annual housing construction plans. If the plan has not been completed before, it must be published within 20 days of completion. If the plan has been completed already, it must be published before 9 June.
12-May-11	PBOC will raise Required Reserve Ratio (RRR) by 50bps to 21.0%, effective 18 May 2011.
16-May-11	Beijing city publishes a notice forbidding developers to arbitrarily build office/retail projects as residential-style projects. The notice becomes effective starting 1 June.
31-May-11	MLR: China to monitor irregular land sales nationwide, especially residential land sales. Local governments should report irregular land sales this year to MLR before 30 June. Irregular land sales include land sales with more than 50% premium over the base quoting price, total price or floor price hitting a record high.
9-Jun-11	MOHURD official says all details of public housing plans must be published and all public housing construction should be started before end of Nov.
10-Jun-11	Jiang Weixin, head of MOHURD, says any serious quality problem occurred in public housing will be seriously investigated and the offender will be heavily punished.
10-Jun-11	Shenzhen to impose all kinds of property-related taxes on fair value for secondary housing, effective 11 July.
14-Jun-11	PBOC will raise Required Reserve Ratio (RRR) by 50bps to 21.5%, effective 20 Jun 2011.
20-Jun-11	NDRC issues "Notice on the utilization of bond financing to support the development of public housing", setting the framework for and allowing the local government finance vehicles (LGFVs) to issue enterprise bonds for developing public housing. This should help break the financing bottlenecks for public housing, and the financing, investment and building of public housing is expected to accelerate further in 3Q11.
1-Jul-11	MOF, MOHURD: To ensure funding for public rental housing projects through various channels.
6-Jul-11	PBOC announces plans to raise the benchmark deposit and lending rates by 25bps, effective 7 Jul 2011.
11-Jul-11	NDRC & MOHURD: To strengthen supervision and management of property agency activities.
12-Jul-11	State Council announces Five Directives, reiterating significance of implementing existing measures and accelerating public housing construction. State Council also mentions that price control targets must be met, and if any cities see an unreasonable surge in home prices, HPR should be introduced in these cities accordingly.
15-Jul-11	MOHURD: Local governments should report their progress on public housing new starts before 31 Jul 2011. The Ministry of Housing and the Ministry of Supervision will jointly conduct inspections in Sep 2011.
20-Jul-11	Shanghai vows to strengthen the regulation of the property market order and the implementation of purchase restriction. The One Home One Price, or the Transparent Home Price policy should be strictly followed; any form or pre-deposit is not allowed before obtaining pre-sale permit; regarding income tax record calculation for non-local household, an accumulated 12 months of payment within the latest 2 years should be satisfactory, and no one-off payment for 1-year local income tax record proof is recognized.
16-Aug-11	MOHURD requires local governments to report local property market situations in 1H before 20 Aug, and lists 5 Home Purchase Restriction (HPR) standards that suggest cities to carry out HPR if they meet at least 2 of the 5 standards. The 5 standards are: 1) Cities with the high home price growths in the 70 mid/large cities home price indices published by the National Bureau of Statistics; 2) Cities with notable home price hike comparing end-Jun this year and end-Dec last year; 3) Cities with volume surging high YoY; 4) Cities around HPR cities and non-local buyers that account for an obvious higher percentage than reasonable; 5) Cities whose residents are strongly discontented with local home prices and believe local governments have adopted weak implementation of home price control measures.
16-Aug-11	State Administration of Foreign Exchange (SAFE): To suspend approval for guarantee to foreign parties by domestic property developers for overseas subsidiaries to issue bonds overseas.
26-Aug-11	Taizhou city, Zhejiang province, announces it will implement the home purchase restriction (HPR) starting 1 Sep. Taizhou's version is largely in line with other cities but applicable to downtown city areas and primary homes. Effective 1 Sep 2011.
9-Sep-11	Quzhou city, Zhejiang province, announces it will implement the home purchase restriction (HPR) starting 9 Sep. Quzhou's version allows local families to own 3 homes and 1 home for non-local families with at least cumulative 1 year of local income tax/social security payment record.
11-Oct-11	Foshan city: 1) For non-local buyers qualified as "talent", they would not need to provide proof of income tax and social security payment when buying properties in Foshan; 2) For properties purchased for 5 years or more, HPR no longer applies; 3) In addition to the properties that are eligible for purchase under HPRs, local residents can buy one additional unit of residential property with ASP below RMB7,500psqm; 4) For homebuyers with rural citizen account, they can also purchase a unit with ASP of below RMB7,500psm without subject to any HPRs.
11-Oct-11	Foshan later announces suspension of loosening HPR, claiming that it would need more time to evaluate the potential impacts of the adjustments.
24-Oct-11	Nanjing says that starting from 24 Oct 2011, it will raise the ceiling of Housing Provident Fund (PHF) mortgage loan from RMB200,000 to RMB300,000 for an individual, and from RMB400,000 to RMB600,000 for a household. PHF loans were suspended for second-time applicants in Feb 2010, but from now on, a household (including a couple and their minor children) can apply for a PHF loan for a second time provided: 1) they sell the property under their name and buy another property as first-time buyer; and 2) their average living area per head is less than Nanjing's average of 32sqm per head.
10-Nov-11	Zhongshan city puts a cap of RMB5,800/sqm on home selling price, effective 31 Dec 2011.

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 285: Summary of major property market-related policies (Cont'd)

Date	Measures
15-Nov-11	Chongqing announced personal income tax rebate scheme for first-time buyers. For eligible buyers who have been paying the tax since 1/Jan/2008 in Chongqing's central 10 districts, the maximum rebate is up to 40% of personal income tax paid since the purchase of the property, but cannot exceed 30% of the property's total purchase price.
25-Nov-11	Beijing loosens rules on property deed tax; the average transacted price benchmark is modified so that more households (about 70% home buyers) will be eligible for favourable sales and deed tax treatment after 10 Dec 2011.
30-Nov-11	Wuhan raises cap of the definition for ordinary residential housing, effective from 1/Dec/2011.
30-Nov-11	PBOC to cut RRR by 50bps effective starting from 5 Dec 2011.
1-Dec-11	Wuhan relaxes definition for ordinary residential housing, effective from 1/Dec/2011.
1-Dec-11	Hefei raises Provident Housing Fund loan ceiling to RMB350,000k for single applicant, and to RMB450,000k for household applicants.
27-Dec-11	Xiamen adjusted definition of ordinary residential housing: plot ratio >1.0, unit size <=144sqm, transacted price <= RMB2.5mn & RMB1.8mn for houses inside and outside the Island, respectively. Effective since 1/Jan/2012.
1-Jan-12	Chongqing raised property tax threshold from 2011's RMB9,941/sqm to 2012's RMB12,152/sqm.
21-Jan-12	Zhongshan raised the previous home price cap from RMB5,800/sqm to RMB6,590/sqm.
1-Feb-12	Tianjin raised cap for the definition of ordinary residential housing (plot ratio > 1.0, unit size <=144sqm, transacted price < guided benchmark. The new benchmarks for 6 downtown districts and 4 suburban districts were 35.2% and 33.6% higher respectively.
2-Feb-12	NDRC, China's top economic planner, said the funds in the quota should not be lent out as housing loans to expatriates, including those from Hong Kong, Macau and Taiwan, to get mortgages in China.
9-Feb-12	Wuhu will waive a deed tax on property transactions in the urban area of the city and subsidize some home purchases, becoming the first city to ease property curbs this year. Wuhu will give subsidies of RMB50psm for the purchase of homes sized 70-90sqm, and RMB150psm for new homes smaller than 70sqm. Migrant homebuyers (including its direct family members) of primary units in the urban area (with at least 45sqm in size) could obtain Hukou (or household registration) of the city. The measures are effective from 1 Jan 1 to 31 Dec 31 this year.
10-Feb-12	Conghua decided to extend earlier Hukou policy for 2 more years, which allows non-local households or rural households to obtain urban Hukou in Conghua by home purchase.
12-Feb-12	The State Administration of Taxation has recently interpreted the definition of first home purchase. For two or more people buying an ordinary home not exceeding 90sqm, if any one of them has a home purchase record, the home will not be considered as first home purchase. Therefore, in this case, favourable tax treatment for first home buyer is not applicable.
12-Feb-12	Wuhu suspends the supportive measures announced on 9/Febr/2012.
16-Feb-12	Shanghai raised cap of the definition for ordinary residential housing (<140sqm/unit), effective since 1/Mar/2012. The new criteria are: total unit price <RMB3.3mn if houses are inside the Inner-Ring Road, total unit price <RMB2.2mn if houses are outside the Inner-Ring Road but inside the Outer-Ring Road, and total unit price > RMB1.6mn if houses are outside the Outer-Ring Road.
18-Feb-12	PBOC, the central bank, announced cut of RRR by 50bps, effective from 24/Dec/2011.
21-Feb-12	Shanghai's housing bureau confirms that non-local residents with at least 3 years of local residence permit are now eligible to buy a second home in the city. However this was reversed by an official circular published on 27 Feb 27.
27-Feb-12	Shanghai reversed earlier definition for local residents and said only residents with local hHu kKou are allowed to buy a second home in the city. Also unmarried children aged > 18 are not allowed to buy any home unless they are married and do not own a home under his or her name.
7-Mar-12	Shanghai's housing bureau said that only unmarried children aged > 18 that independently own their homes already are not allowed to buy another home in the city.
28-Mar-12	Shanghai's banking regulatory authority said it will regulate that the lending rates of commercial banks' loan to public housing project should not exceed the PBOC benchmark rates at the time of loan granting, and encourages banks to even lower the lending rates. And the regulatory body urged banks to grant no less than 60% of total development loan increment this year to public housing projects.
Apr-12	Some tier-2/3 cities raised Housing Provident Fund loan caps by 15~25%: Leshan, Lianyungang, Nanchang, Bengbu, Karamay, Suining, Rizhao, Xinyang, Dalian, Binzhou, Changzhou, Zhengzhou, Nanning.
7-May-12	Yangzhou announced subsidy for homebuyer of primary furnished homes: 0.6% subsidy for homes sized <=90sqm, 0.5% subsidy for homes sized >90sqm but <=120sqm, and 0.4% subsidy for homes sized >120sqm but <= 144sqm, effective for a year starting July 1, 2012
29-May-12	Chongqing's Housing Provident Fund lending cap raised from RMB200k to RMB400k for single applicant and from RMB400k to RMB800k for household applicant. Besides, the down payment requirement for first-time homebuyer is lowered from earlier 30% to 20%, lending quota raised from 15x to 25x of account balance, maximum lending period raised from 20 years to 30 years and can be deferred up to 10 years after retirement. Also, applicants can deposit cash to increase the account balance to apply for the maximum lending quota.
1-Jun-12	MLR reiterated that land regarded as "idle" will be charged 20% of original acquisition cost annually, effective since July 1, 2012. "Idle" land are interpreted as land that has not started construction more than 1 year later than the previously legally determined date, or land with construction less than 1/3 of total or with investment less than 25% of total that has suspended construction for more than 1 year.

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 286: Summary of major property market-related policies (Cont'd)

Date	Measures
7-Jun-12	PBOC cuts 1-year benchmark lending rate by 25bps, effective since Jun 8, 2012. Mortgage rate discount up to 30% allowed for 1st -time homebuyers.
15-Jun-12	Shanghai stopped transaction approval for non-local residents that make one-off payment for 1-year local social security record proof.
19-Jul-12	MLR and MOHURD jointly issued an urgent notice to urge local authorities to strictly implement property tightening policies, and make sure enough supply for ordinary housing / public housing, as well as controlling land launch schedule to avoid land kings.
23-Jul-12	Shanghai's housing authority yesterday published a notice, clarifying that serviced apartment is considered as residential property, thus is subject to Home Purchase Restriction (HPR).
23-Jul-12	Nanjing government on Jul 23 said it aims to provide easy mortgage facility for first-time homebuyers who participate in the city's PHF program; for pure PHF loans, minimum 20% down payment is allowed. At the same time, Nanjing will grant selected non-local high-tech talents (a total of 3,300 people) the eligibility to buy a home in Nanjing (regarded as with local permanent residence registry, or Hu Kou) if they are first-time homebuyers, together with partial income tax subsidy for 5 years. PHF loan will be granted to those talents with regular PHF payment record with favourable terms.
26-Jul-12	Zhongshan announced its new Provident Housing Fund (PHF) policy, effective starting Aug 1. The new policy will allow homebuyers to pay only 20% down payment for first home purchase if unit size <= 90sqm; still 30% down payment for first home purchase if unit size > 90sqm; and 50% down payment for second home purchase, with at least 1.1x PHF benchmark lending rate. The loanable amount ceiling is RMB300k for single, and RMB500k for a couple. Still, no loans will be lent to 3rd or more home purchase.
27-Jul-12	Shanghai govt reiterated that current property tightening policies should be strictly implemented, regarding: 1) differentiated credit/taxation treatment, and home purchase restriction; 2) increasing land supply for public housing and ordinary housing; 3) cracking down on illegal or improper land / property use right change; 4) conducting property tightening policy implementation inspection; 5) extending support to public housing and expanding beneficiary households; and 6) improving information disclosure system and guiding press influence.
13-Aug-12	The investigations by the property market inspection teams of the State Council have finished, and overall, the inspection teams have more or less affirmed the results and efforts of the property market tightening by the local governments in the 16 provinces/cities. The inspection teams have given requests and suggestions on potential problems in 4 provinces/cities, including Hunan Province, Hubei Province, Hebei Province, and Jiangmen city in Guangdong. For example, some of the tightening measures in Jiangmen have not been strictly implemented and enforced, while there still exist upward pricing pressure in Hubei and Hunan Provinces. With these, Hunan and Hubei Province were advised to carry out property tightening policies more effectively to curb the rising pressure of home prices. Jiangmen city was advised to correct its improper implementation of property tightening. While Hebei Province was said to have some problem defining 1st/2nd/3rd+ home buyers due to lack of networked home ownership info
6-Sep-12	MLR issued notice urging local authorities to strictly implement standards and measures of issuing various types of land use and increase scrutiny usage of these standards and measures.
14-Sep-12	Major banks in Guangzhou had ceased to offer new mortgages at 15% discount to PBOC rate, and further tightening is expected for the remainder of the year.
16-Sep-12	Nanjing city government re-introduced price control policies. According to the latest rules of the Nanjing government, the maximum price increases allowed is 5%, and if a developer wants to raise prices by this magnitude, it can only do so three months after its last property price filing (for the same project) was placed.
9-Oct-12	Guiyang city had announced new measures in attempt to channel demands into the city's real estate market. It stated that all those (including non-residents) who bought commercial, office properties, or residential properties for the first time can enjoy the same treatment on employment, education and medical as residents, not limited by time moving into the property nor size of the property bought.
10-Oct-12	The Central Government had issued a notice delegating various administrative measures to local authorities, including application for pre-sale consents from "property market regulators above county level governments" to "county level governments' property market regulators".
15-Oct-12	Hainan Sanya Municipal Government announced they will implement new measures for sales of limited-price housing with a price marked system which requires a separate price tag to be set on every unit. It also stated that these units cannot be resold within 5 years (after the date of obtaining the ownership certificate) and a penalty will be applicable for individuals breaching this rule. Moreover, the highest ASP should not be higher than the ASP stated in the land sales agreement. However, if the limited-price housing has to be transferred under special situations, Sanya government will repurchase it at the original price, after taking into considerations of depreciation and inflation. On top of this, the Government has the priority to repurchase at maturity.
17-Oct-12	Hangzhou issued a new rule on land sales, capping the premium to land bottom price at 49%. If tender/auction of a site reaches 49% premium to its bottom price, competition of the site will depend on the area of social housing that developers are willing to build.
22-Oct-12	Shaanxi Provincial Department of Housing and Urban-Rural Development (SPDHURD) said in order to ensure stable and healthy development of the province's property market, the SPDHURD had set a "reasonable profit margin" for real estate developers at around 10% (calculated based on land cost, development cost, SG&A expenses etc.). Developers granted pre-sale permit must make all units for sale within 10 days of the grant and with one price for each unit only.
25-Oct-12	Wuhan Housing Provident Fund Centre said it had recently allowed contributors to use provident funds as commercial/ residential property loans to purchase properties outside of Wuhan city. It was also reported that the fund had increased the cap for maximum amount allowed for first 2nd-hand home mortgage from RMB400,000 to RMB600,000.

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 287: Summary of major property market-related policies (Cont'd)

Date	Measures
1-Nov-12	Shenzhen city's NPC Standing Committee had approved amendments to rules which now prohibits VC firms from guarantee and real estate activities, with the exception for purchase of properties for own use.
1-Nov-12	The 18th CPC National Congress report made it clear that "we should reform the land expropriation system and increase the share of gain in land value to farmers." The amendment draft of Land Administration Law was submitted to the NPC Standing Committee for approval.
6-Dec-12	CCCP set 6 key points for 2013: the Political Bureau of Central Committee of Communist Party of China (CCCP) held a meeting under the leadership of Xi Jinping, discussing economic matters for 2013. The meeting concludes the followings: 1) Ensuring continuity and stability of macro policies, while at the same time will ensuring policy flexibility and adjusting according to circumstances; 2) Continuing China's path of urbanization gradually, facilitating a gradual shift of rural population to urban population, promoting a economical/efficient use of land; 3) Further implementation of the regional strategic development strategy; 4) Deepening the reform for openness of its economy, optimizing trade policies and trade mix; 4) Maintaining stable overall pricing environment; 5) Promoting reforms in key areas including extending the pilot scheme for the change from business tax to value-added tax, improving the pricing mechanism of resource commodities; 6) Improving social security, stressing property control and social housing policies. (Xinhua)
19-Dec-12	Ministry of Land and Resources (MLR) said all provinces will be required to implement various measures such as carving-out of larger land lots, joint bidding, applying additional bidding terms and increase payment difficulties, to avoid the emergence of "land kings". At the same time, the ministry will implement a system of closely monitoring large developers' actions, and to initiate investigation on the recent "land king" transaction.
20-Dec-12	Harbin and Nanning municipal governments announced new measures and opinions on household registration: JRJ reported that Harbin and Nanning municipal governments have recently announced new measures and opinions on household registration. Specifically, Harbin government issued an opinion draft, stating that the city plans to launch a new household registration system to combine both urban and rural before 2015, replacing the current household registration system. Meanwhile, Nanning also issued the "measures for implementation of further reforms of household registration system", stating that the city will no longer separate its household into urban and rural, and that one could become a registered household if (1) buy a flat in the city, (2) work in the city for 4 years, and (3) fulfilled certain investment amount. JRJ said this latest attempts of household registration reform in 2 of China's provincial city clearly indicated the government's determination to facilitate the next stage of urbanization.
25-Dec-12	Ministry of Housing and Urban-Rural Development (MOHURD) - 2013 target affordable housing starts and completion at 6mn units and 4.6m units respectively. In addition, China will continue to strictly implement property market control measures, differential residential mortgage lending, tax policies and Home Purchase Restrictions in 2013.
8-Jan-13	Ministry of Finance's (MOF) issuance of a new notice that required local governments to strictly adhere to rules relating to affordable housing projects constructions and management. In addition the MOF will provide various measures to support construction of affordable housing in the coming year, including 1) to ensure that all affordable housing construction financing are strictly confined to allowed financing channels only; and 2) to allow local governmental finance departments to raise funds from Housing Provident Funds income, Land Premium incomes, State-owned capital operational budgets, local government debts, and to use the funds on projects that needs government funding, including public rental housing, low rental housing, and relocation housing projects.
15-Jan-13	Hainan Housing & Development Bureau had issued a notice requiring all projects inventories must be cleared before 18 Jan 2013, and the results of the clearance must be reported to the Housing and Development Bureau. Those projects with inventories which are not cleared by that date must be temporarily closed until its inventories are cleared.
29-Jan-13	Central Government had issued a notice claiming that land pollution situation in China is not optimistic, and pollution must be prevented and mitigated. Risk assessments on land pollution must be properly conducted and remedies must be strictly implemented. Land use rights and construction permits will not be issued unless risk assessments were performed and soil quality is adequate for development. Should a land is assessed to be polluted and potentially harmful to humans, the pollution must be mitigated and residential development prohibited until the land quality is deemed adequate for development again.
20-Feb-13	China's Premier Wen Jiabao held a State Council executive meeting today, discussing policies regarding the property market. While the meeting concludes that existing policies (home purchase restricts, differentiated credit policies, property tax, etc) has already show positive signs in containing speculative demand, Premier Wen pledged to continue property market controls and measures to limit price rises and speculation. Besides, the meeting acknowledged that China is in rapid urbanization (resulting in short-term supply/demand imbalance in certain area) and policy continuity/stability will be essential for a healthy property market. The meeting specified 5 key directions: (1) local government should held accountable for stable prices: A well-structured accountability system (based on home price stability) should be established for local governments. Governments should release their annual home price control target. (2) To contain speculative/investment demand: For those cities with home purchase restrictions (HPRs), local governments should strictly execute existing home purchase restrictions. For those without HPRs, if prices gone up too fast, provincial governments should step in and implement HPR on time. Differentiated lending policies which targets to control lending to speculative/investment demands should continue, while property tax pilot schemes should extend to more cities. (3) Increase supply of ordinary commodity homes and land supply: Residential land supply in 2013 should not be lower than the past 5-year's average. (4) Speed up social housing construction: target to complete 4.7mn units in 2013, while new start target at 6.3mn units. (5) Enhancing regulations on market: Pre-sale system should be better managed, with prices clearly delineated during the selling/marketing process. Information system regarding home ownership should be enhanced, while market information monitoring/releasing should be improved.

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 288: Summary of major property market-related policies (Cont'd)

Date	Measures
1-Mar-13	<p>The State Council issued a notice specifying 6 key policy areas (国办发〔2013〕17号文《国务院办公厅关于继续做好房地产市场调控工作的通知》) for preventing home prices from rising too quickly, including 1) To ensure that relevant government departments are held accountable to the task of market stabilization, including implementing home purchase restrictions, differential credit policies, collection of tax etc.; 2) Local branches of the People's Bank of China can raise LTV ratios and interest rates on second home mortgages as necessary based on local governments' price control targets and other specific policy needs. In addition, the capital gains tax (not new tax) of 20% on verifiable cost of the property should be strictly imposed on all properties sold and transferred; 3) To increase supply of land for commodity residential property use by maintaining a stable and reasonable land supply programmes; 4) To speed up planning and construction of affordable housing and to achieve the 2013 affordable housing start and completion targets of 6.3m units and 4.7m units respectively; 5) To strengthen market regulation and expectation management by heightening various requirements for pre-sale applications and implement reforms measures; and 6) To speed up building of a long-term sustainable system that could ensure the healthy development of China's property market by continuing property tax reform, strengthen local banking and land supply systems.</p>
27-Mar-13	<p>Guangzhou set home price control target as within GDP growth: The vice mayor of Guangzhou announced that the 2013 home price control target for Guangzhou is that overall property price increase this year should not be higher than GDP and disposable income growth in the city. As a reference, during the NPC and PCC meetings period in Guangzhou, the expected GDP growth and disposable income growth for the city for 2013 are 10% and 11% respectively. If these expected GDP growth and disposable income growth realizes as expected, that would mean overall property prices in Guangzhou can not rise more than 10% in 2013. The Guangdong provincial government has issued a notice called "On continuous work on property control". The five key points are:</p> <ol style="list-style-type: none"> <li>1) Guangzhou and Shenzhen should publish their 2013 home price control target by end-March.</li> <li>2) Guangzhou, Shenzhen, Foshan and Zhuhai should continue to implement HPRs.</li> <li>3) increase supply of small-sized ordinary commodity housing.</li> <li>4) speed up development of social housing.</li> <li>5) strengthen monitoring on the real estate markets, and the information networks of key cities in the province should be linked together by end-2013.</li> </ol>
31-Mar-13	<p>The Chongqing municipal government has published the follow-up details on property tightening as requested by the State Council. The key points are:</p> <ol style="list-style-type: none"> <li>1) Overall ASP increases in 2013 cannot be faster than growth in disposable income of urban citizens in 2013. This will be applied to the 9 city-districts: Yuzong, Dadukou, Jiangbei, Shapingba, Jiulongpo, Nanan, Beipei, Yubei, and Banan. As a reference, Chongqing's disposable income per capita was RMB22,968 in 2012, up 13.4%. This means that if disposable income growth in 2013 is the same as 2012, ASP increase cannot be higher than 13.4% in 2013.</li> <li>2) Land prices cannot be higher than 1/3 of property prices. The government will adjust land supply to make sure that overall land prices in the city will not be higher than 1/3 of property prices, and will increase or decrease land supply at the appropriate times to bring back this stated equilibrium relationship between land prices and property prices.</li> <li>3) For second-time home mortgages, the banks need to strictly count both past mortgage record and home purchase record of the mortgage applicants. That means even for a person with a home but without a mortgage, his/her purchase of another home will be subject to the second-home mortgage restrictions. In addition, banks should not give any mortgage for third-time home purchases or mortgage applications.</li> <li>4) However, the government has not explicitly stated that down payment and interest rates on second-home mortgages need to be raised. As reported in Hexun, the state-owned banks in Chongqing are still offering second-home mortgages with down payment of 60% and interest rates of 1.1x PBOC benchmark interest rates.</li> <li>5) For the resale of properties with official tax and/or registration record, the 20% capital gain tax will be strictly levied (so that the seller could no longer opt for the 1% payment on latest selling prices).</li> <li>6) Going forward, the government will strictly limit the development of projects with a plot ratio of less than 1x and will encourage the development of projects with smaller-size. This is to increase supply of small-medium-sized properties.</li> </ol>
31-Mar-13	<p>Beijing municipal government has issued a notice called "Beijing municipal government strictly implements the State Council notice on continuing proper property market tightening":</p> <ol style="list-style-type: none"> <li>1) additional home purchase restriction on single residents in Beijing;</li> <li>2) overall home prices for newly built commodity residential housing in 2013 have to be similar to that in 2012; and</li> <li>3) details on how to collect the 20% capital gain tax on resale of properties.</li> </ol>

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 289: Summary of major property market-related policies (Cont'd)

Date	Measures
31-Mar-13	<p>Shanghai municipal government has issued the "Notice on strictly implementing the State Council notice on continuing proper property market tightening":</p> <ol style="list-style-type: none"> <li>1) 2013 home price control target will be based on the growth in disposable income per capita in 2013 with reference to inflation. The government will strive to maintain overall stable property prices in 2013.</li> <li>2) The government would strive to restrict investment/ speculation demand, will request relevant housing management, taxation, human resources, social security, and administration departments to accelerate studies on establishing a comprehensive database on home ownership, tax payment, social security payment, and marriage information of homebuyers in Shanghai. This database will allow the government to better manage the property market in the future.</li> <li>3) The banks need to strictly implement selective financing (on down payment and interest rates) to different types of homebuyers, and to strictly enforce higher down payment and higher interest rates for mortgages on second-time home purchases, and cannot offer mortgage for third-time home purchases or above. In addition, the banks need to have stronger checks on mortgages to homebuyers from other places, overseas, and those that are divorced or young, and should not offer mortgages if they do not meet standards.</li> <li>4) For the resale of properties with official tax and/or registration record, the 20% capital gain tax will be strictly levied (so that the seller could no longer opt for the 1-2% payment on latest selling prices).</li> <li>5) The government will increase the supply of land for developing ordinary commodity residential housing. The new land supply for 2013 will not be lower than the average actual supply in the past 5 years. In addition, for projects with 70% (or above) of units as small-medium-sized units should receive priority construction financing from the banks, subject to credibility of the developers.</li> <li>6) The government will ensure adequate supply of social housing. For 2013, the target is to start constructions on 105,000 units, 7.5msm of social housing, and to complete 100,000 units and 7.3msm of social housing in 2013.</li> <li>7) The government will impose strict control on approval for presale permits, and it might not issue presale permit for projects with ASPs that are markedly higher than ASPs of previous phases or higher than ASPs of nearby properties, or for projects which do not accept ASP guidance given by the government.</li> <li>8) The government will strengthen monitoring of media news flow, and will take proactive and immediate clarifications on any false media news about policies and the property market.</li> </ol>
31-Mar-13	<p>Hefei municipal government has released a notice on the details of property market tightening (as requested by the State Council):</p> <ol style="list-style-type: none"> <li>1) Residential home price target of the city should not exceed the per-capita disposable income growth of the city (largely the same to the city's target of not higher than GDP and residents' disposable income growths in previous years)</li> <li>2) the government would release the 2013 residential land sales plan according to schedule: Currently, land sales plan of the city's urban districts has been published on the website of Hefei Ministry of Land and Resources (Hefei MLR), and plans of other districts will be released soon after.</li> <li>3) Around 8,000mu (c. 5.3msqm) of residential sites will be supplied to the market (of which 5,000mu are ordinary commodity residential sites and 3,000mu are for social housing), which means it will not be lower than the average supply level of the previous 5 years</li> <li>4) Accelerate social housing construction: Hefei will commence and complete construction on 39,000 and 16,000 social housing units respectively</li> <li>5) Eligible immigrant workers with stable employment in the city will be included in the social housing scheme</li> <li>6) Sites with better transportation connectivity, infrastructure and public facilities will preferably allocated for social housing</li> <li>7) Redevelopment of urban villages and dilapidated homes within the second ring road of the city will be completed by end-2015; Improvement works of the city's old/dilapidated districts will be finished by end-2014</li> <li>8) The government would strengthen the management of presale system, making sure that the use of presale deposits is for the construction of residential project.</li> <li>9) Commodity residential projects will not be allowed to raise prices within 3 months after it report the presale price of the units.</li> <li>10) If the price of a commodity residential project reported to the government is deemed as too high, and the developers refuse to follow the guidance of related government bodies, it may not get presale permit.</li> <li>11) The developers should avoid misleading advertisement of property, and the government would have stricter regulation on property agencies.</li> </ol>
From 1-Apr-13 onwards	<p>Over 40 cities including Shenzhen and Tianjin Municipal Governments, Xiamen, Wuhan, Nanjing, Jinan, Guiyang, Fuzhou, Shijiazhuang, Kunming, Chengdu, Zhengzhou, Qingdao city governments had issued details of property market tightening as required by State Council, which focuses on putting price controls on newly constructed (in 2013) commodity residential units lower than residents' disposable income for the year, and continue to implement differential credit policies and implementation of 20% capital gains tax from home transactions.</p>

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 290: Summary of major property market-related policies (Cont'd)

Date	Measures
14-Jun-13	<p>Ministry of Land and Resources required local government to follow the annual target of price control before supplying commodity residential housing to the market and to set reasonable range of land premium for new land sales based on pricing levels in the same area.</p> <p>In addition, when approving pre-sale permits, the Beijing Bureau of Housing and Urban-Rural Development has put in new restrictions by introducing a new sales quota for high-end residential properties with ASP of over Rmb40,000psm to avoid further rises in average housing price in the city.</p> <p>Beijing Housing and Urban-Rural Development Commission issued a notice on 14 June 2013, which sets out new requirements for commodity residential projects supplying unit sizes larger than 140sqm, and commercial and office projects. It requires that starting from 1 August 2013, for the types of projects listed above, if their superstructure construction didn't reach at least 7 storeys high they will no longer be eligible for pre-sales permit applications. The new requirements specifically requires that for the above-listed projects, if they're less than 7 storeys high their superstructure construction must be completed before they're eligible for pre-sales applications, and for projects with more than 8 storeys high, their superstructure construction must be at least 50% completed (and not less than 7 storeys) before they become eligible for pre-sales applications. The notice also states that for projects supplying normal commodity residential housing only (i.e. less than 140sqm), they should continue to follow the original requirements. The new notice applies to all property development projects with its land transfer agreements signed after 1 August 2013 (meaning that construction will start after this date), for projects currently under construction the original requirements continue to apply.</p>
19-Jul-13	PBOC announced a few measures to further liberalize China's lending interest rates effective from July 20. The most important measure is the removal of the lending rate floors, which were previously 30% below the benchmark rates. However, the range of mortgage interest rates for homebuyers has not been changed, highlighting the central government's continued rock-solid stance on property market tightening.
9-Aug-13	Wenzhou City Government official admitted to have fine-turned its current HPR policy from only 1 commodity residential unit per local household and none for non-hukou households to the HPR policy as required by the State Council - 2 commodity residential units per local households and 1 per non-hukou households
10-Sep-13	The listing division of CSRC has already issued a notice listing out specific requirements for eligible developers to apply for refinancing in Shenzhen and Shanghai Stock Exchange. The notice includes disclosure and application requirements on restructuring for listed companies, as well as refinancing for listed companies' property development business. When developers submit their refinancing applications, they should also submit self-inspection reports on the refinancing plan, and also an inspection report from the handling financial intermediary that document their opinions on the refinancing plan and the projects involved.
22-Sep-13	Anhui Province had issued notice commenting on future land purchase restrictions in the province, such as max site area for commodity residential land in small/medium/large cities will be capped at 70ksqm/140ksqm/200ksqm respectively, implementing deposit system for construction start and completion, set at no less than 5% of land premium, and increase fines for idle land hoarding.
3-Oct-13	Anhui Provincial Government recently published a notice on management of Provincial Level Reserved Land. To prohibit hoarding of reserved land, Provincial Government won't issue Planning Indicators for regions who a) had not completed previous year's Land Use Plan, b) illegal farmland is over 15% of illegal lands, and b) land repossession ratio lower than 50% in previous year. The Notice also penalizes heavily against below-par investment and fraudulently obtained Planning Indicators.
3-Oct-13	A recently published notice by the NDRC stated that it will encourage enterprises engaging in shanty town redevelopment projects are eligible to apply for debt issuance to finance the projects. It also encourages participation through equity investments, direct investments and BT. The cap will be set at 70% of total project investment amount.
6-Oct-13	Anhui Provincial Government recently issued a notice on Affordable Housing Management to become effective on 1 Nov, listing out standards for tenancy contracts, and allows eligible households who had acquired affordable housing for 5 years can apply for property rights certificate from relevant departments to be sold on the market.
14-Oct-13	Vice-mayor of Shenzhen had proposed 8 home price control measures during the city's Property Market Control Committee meeting, namely 1) continues HPR and differential credit policies, 2) ensure residential land supply at 20% 5-year average supply, 3) PBoC Shenzhen Branch to tighten downpayment and interest rates for 2nd homes, 4) increase strength of pre-sale management, 5) ensure 2013 affordable housing construction target is met, 6) increase LAT rate, 7) strengthen market information disclosure, 8) speed up long-term property market control mechanism and policy research.
23-Oct-13	Beijing MOHURD announced seven property market measures to support end-user demand, stabilize market expectations and facilitate a long-term control mechanism. The seven measures focus on the introduction of 'self-use residential units' that target end-users, including 1) emphasis on end-user properties construction and management; 2) commodity residential land supply to be no less than 20k units by FY13; 3) supplying 70,000 'self-use units' at ASP of 30% discount to nearby units; 4) priorities given to family with Beijing Hukou; 5) speed up sales and registration management; 6) minimum holding period of 5 years or the an appreciation tax of 30% will be charged; 7) intentional deceit would lead to contract cancellation and legal consequences and also not allowed to buy properties in Beijing in 5 years.
1-Nov-13	Shenzhen branch of PBoC revised the down payment ratio requirement for all individual who applies mortgage for second home purchases from 60% to 70%. And Shenzhen continues the differential mortgage treatments, with 30% down payment requirement on first home buyers and no mortgage will be provided to buyers of the third or more houses.

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 291: Summary of major property market-related policies (Cont'd)

Date	Measures
8-Nov-13	<p>Shanghai introduced 7 tightening measures on the property market on the back of the sharp rise in property prices in 2013 YTD.</p> <ol style="list-style-type: none"> <li>1) Raising the downpayment requirement for 2nd-home mortgages to 70%, from 60%.</li> <li>2) Increasing land supply: For 2013, the supply of land for developing residential properties should not be less than the average land supply in the past 5 years. And based on the average land supply in the past 5 years, land supply in 2013 should be 30% higher, and total land supply for residential development should be at least 1,000 hectares. In addition, the government would increase the land supply for building small-medium-sized properties.</li> <li>3) Implementing accountability on property price tightening for individual districts: All district governments in Shanghai should actively introduce new measures to achieve the home price control targets set in early 2013.</li> <li>4) Further developing the social housing system: For eligible families, government officials should follow the principle of "as many as possible and as many as those willing to". At the same time, government would speed up the supply on economic housing, to develop public rent housings and to continue the proper implementation on land resettlements.</li> <li>5) Strictly implementing the differential property tax policies: The government would implement proper collections of valued added tax on developers and also the property tax on inventory homes; to enhance inter-departmental information flows, and gradually develop the piloting individual property tax.</li> <li>6) Strictly implementing HPR: The criteria would be tightened for people without Shanghai 'hukou', tax payment record lengthened to 2 full years within the past 3 years before the purchasing date.</li> <li>7) Strengthening supervision over the property market: Relevant departments have to facilitate information flows to increase the price disclosures, enhance control over agents and strictly punish on frauds and illegal activities. Every local government has to be responsible in the meeting the year target house pricing control; to strictly manage over pre-sales, to investigate on illegal activities towards the HPR.</li> </ol>
18-Nov-13	<p>Guangzhou government has issued a notice, which includes 6 measures to stabilize property prices.</p> <ol style="list-style-type: none"> <li>1) Speed up the approval of presale permit for low-medium-price apartments: This is to increase the supply of low-medium price commodity residential properties. The faster pace for presale approval should help meet the demand for the low-medium-price housing.</li> <li>2) Increase the residential land supply For 2013, the Guangzhou government targets to achieve a residential land supply which is 20% higher than the average actual supply of the previous five years. For 2014, the overall residential land supply will be equal or higher than 2013 land supply.</li> <li>3) Strictly implement HPR: HPR aims at restricting the unreasonable property demand. Starting now, for residents or families without a Guangzhou Hukou but have been staying in Guangzhou for at least 5 years, and with a income tax payment record or social insurance payment for three consecutive years, they can purchase one residential property, including either new commodity housing or secondary housing. Effectively, this raises the tax payment or social insurance payment requirement from one year to three years.</li> <li>4) Adjust the second home mortgage down payment to at least 70%.</li> <li>5) Provide guidance for reasonable pricing by developers: Guangzhou government will continue the existing rules that guidance will be given to new commodity housing presale price. For property projects which are against the guidance, no pre-sale permit will be granted.</li> <li>6) This latest notice will supercede previous announced tightening measures if there is any difference between this notice and previous announced measures.</li> </ol>
22-Nov-13	<p>Xuzhou widely loosened HPR: Xuzhou loosened the HPR on several areas, releasing more housing types, locations and area limits for purchasers. Moreover, children with age 18 or about will no more limited by the property owned by parents</p> <p>Following the Tier 1 cities, Wuhan has announced seven measures to stabilize the property price and ensure a proper market development, effective on Nov 23, 2013.</p> <ol style="list-style-type: none"> <li>1) Strictly restrict investment demand for residential property: Wuhan will continue to strictly implement the Home Purchase Restriction (HPR). For residents or families without Wuhan Hukou but possessing a income tax record or social insurance payment for 2 years (lengthened from 1 year), one additional unit can be purchased. The HPR supervision and monitoring will be strengthened to punish the offenders.</li> <li>2) Enhance the residential land supply management: For 2013, the Wuhan government targets to achieve a residential land supply which is 20% higher than the average actual supply of the previous five years. The land supply increase will focus on affordable housing, low-mid price housing and small-mid size commodity housing. The land supply planning will be sped up to ensure the total residential land supply in 2014 will be 10% higher than that of the average of previous five years.</li> <li>3) Continue to accelerate the construction on social housing: Local governments need to increase the approvals, land collections etc. to facilitate the constructions of social housings. Local governments also need to provide capital to speed up the completions and deliveries of the social housing with proper quality and to supervise the allocation of social housing on open and fair principal.</li> <li>4) Strictly implement the differential mortgage policies: Wuhan branch of PBoC will study to raise the downpayment ratio on second home purchases according to local controlling targets and requirements.</li> <li>5) Increase ordinary commodity housing supply: Local governments have to speed up the approval on the constructions of small-mid size normal commodity housing and to urge developers regarding on approved but not yet build and built but not yet delivered projects.</li> <li>6) Provide guidance for reasonable pricing by developers: The government will provide guidance for reasonable pricing by developers. Pre-sale permits will not be granted to those projects that do not following the pricing guidance of the Wuhan government.</li> <li>7) The latest notice will supercede previous announced tightening measures if there is any difference between this notice and previous announced ones</li> </ol>
23-Nov-13	<p>Nanchang has rolled out 6 tightening measures on 25 Nov.</p> <ol style="list-style-type: none"> <li>1) Increase residential land supply: Nanjing will strive to surpass the annual land supply target by 10% in 2013. New land supply plan for 2014 will be set and announced before 31 Mar 2014. Supply target for 2014 is 120% to that of 2013, and will try to meet 130% to that of 2013.</li> <li>2) Increase ordinary commodity housing supply: Nanjing government will speed up the approval on the constructions of ordinary commodity housing projects, and to support the construction process.</li> <li>3) Control irrational housing consumption: Nanchang branch of PBoC will gradually raise the down-payment ratio on second home purchases according to local controlling targets and requirements. HPR will be implemented continually, non-local Hukou holders with income tax records or social insurance payments for 2 years (lengthened from 1 year) are allowed home purchasing while juveniles are restricted in home purchasing.</li> <li>4) Provide guidance for reasonable pricing by developers: The government will provide guidance for reasonable pricing by developers. Pre-sale permits will not be granted to those projects that do not follow the guidance</li> <li>5) Push forward the construction of social housing: Shanty town redevelopment project will be sped up, with annual target of not less than 3m sqm of GFA redevelopment finished in the coming 3 years. The construction progress of reallocation units will also be sped up, targeting to reallocate not less than 50% of the households affected by demolitions. The piloting program on "limited type and limited pricing" units will be continued in the city.</li> <li>6) Strengthening supervision over the property market: Implementation of HPR and differential mortgage policies will be continued and strengthened to curb the investment demand.</li> </ol>
25-Nov-13	<p>Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction &amp; CIR, Deutsche Bank</p>



Figure 292: Summary of major property market-related policies (Cont'd)

Date	Measures
25-Nov-13	<p>Xiamen has announced seven measures to foster a healthy development of the property market. Details as follows:</p> <ol style="list-style-type: none"> <li>1) Increase the commodity residential land supply: Speed up the commodity residential land launches and ensure the units fulfilled the presale condition will transact within the year. Speed up the demolition process and launch new commodity residential lands in 2013. 2014 residential land supply shall be 20% larger than the average of the past five years. Adjust the rhythm of new land launches to prevent spike in land prices.</li> <li>2) Speed up the effective supply of commodity housing: Speed up the construction start and strive for earlier presale. Strictly inspect the idle commodity residential project. If the postponement in the construction starts exceeds a year and is due to the developers' issues, idle land charge is levied at 20% of land premium. Postponement exceeding 2 years will lead to uncompensated surrender of the land to government.</li> <li>3 Strictly implement HPR: For residence/family with Xiamen Hukou already owns one property or non-residence/family with 1 year or above tax/social insurance proof in the recent two years, it is eligible to buy one property, including new or secondary residential property. For those without Hukou and owns two or more property, or non-Hukou holders with one or more property, or non-Hukou holders who could not provide 1 year or above tax/social insurance proof, developers cannot sell property to them. Non-Hukou holders could not buy property through resubmitting previous income tax or social security payment proof.</li> <li>4) Strictly implement the differential mortgage policies: Xiamen branch of PBoC will raise the downpayment ratio on second home purchases according to local property price targets and requirements.</li> <li>5) Enhance the taxation management: Enhance the collection and audit of taxation of the property projects with high ASP, ASP growth, or excessive profit margin.</li> <li>6) Strengthen the property market supervision: The government will provide guidance for reasonable pricing by developers. Pre-sale permits will not be granted to those projects that do not follow the guidance.</li> <li>7) The latest notice will be effective on the next day (Nov 26, 2013) and will supersede previous announced tightening measures if there is any difference between this notice and previous announced ones.</li> </ol> <p>On 25 Nov, Shenyang announced 9 additional measures</p> <ol style="list-style-type: none"> <li>1) Continue to keep the residential land supply in leading level countrywide: Land supplies for small-mid size ordinary commodity housings, shanty house redevelopments and social housings have to be over 75% of the total land supply.</li> <li>2) Lengthen the tax and social insurance record to 2 years (from 1 year) for non-local Hukou holders to be eligible for the purchase of a single house. It could be in the primary or secondary market.</li> <li>3) Downpayment requirements for mortgages on second home purchases raised to 65%.</li> <li>4) Strictly monitor the progress of construction projects supported by housing provident funds (HPF): In order to apply for the mortgage from HPF, multi-storey buildings needed to be topped off, and 2/3 of the high rise buildings needed to be topped off.</li> <li>5) Further increase the supply of small-mid size ordinary commodity housing: Approvals will be sped up. For projects with more than 70% of the total units are small-mid size ordinary commodity housings, priority will be given by banks for loans on development.</li> <li>6) Better manage the construction on social housing constructions: Strictly enhance the subsidy on social housing, perfect the public rental housing allocation and constructions. Ensure open and fair allocations. Actively promote the development on shanty town, old town, and dangerous houses.</li> <li>7) Enhance supervision over the property market : Strictly enforce the "single price for single house" requirement. For projects that have obtained pre-sale permits, all housing information has to be disclosed on the point of sales as well as on the internet. Strictly manage over the sales process and punish those illegal acts. Sales will be halted for those refused to correct.</li> <li>8) Further organize and perfect the personal housing information database: Comprehensively enhance the level of housing informing management to facilitate the development of an effective long term mechanism.</li> <li>9) This notice is subject to the explanations of the property department: This latest notice will also supercede previous announced tightening measures if there is any difference between this notice and previous announced measures.</li> </ol> <p>Guangzhou has tightened property purchase restrictions outside HPR zone: Mortgage requirement of Zengcheng and Conghua have raised to three years social security or tax payment proof in Guangzhou, compares to previously one year requirement. Guangzhou central 10 districts already suspended the property purchase based on resubmitted tax payment or social security proof. It is not obvious whether such approach is still applicable in the Zengcheng and Conghua.</p>
25-Nov-13	<p>Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction &amp; CIR, Deutsche Bank</p>



Figure 293: Summary of major property market-related policies (Cont'd)

Date	Measures
26-Nov-13	<p>Nanjing announced additional property tightening measures on 26 Nov, in order to consolidate the existing tightening results and corresponding to Central government's call on speeding up the affordable housing and housing supply.</p> <ol style="list-style-type: none"> <li>1) Increase the supply of residential land with priority to affordable housing: Any shortfall against the 2013 land supply target (400 HA commodity residential land and 350 HA affordable housing land) needs to specify a timeline. The 2013 residential land supply has to grow by 10% upon the average five years land supply. Priority will be given to affordable housing land, in particular for village within the city, old or danger housing relocation, public rental housing supply. In addition, it has to increase the supply proportion of suburb and new region to lead a more reasonable population distribution.</li> <li>2) Enhance the monitoring of land supply and explore new mode of land supply: Enhance the monitoring of land supply especially for start/completion fall outside the regular schedule. Establish a construction start/completion disclosure and dynamic land use monitoring mechanism. Inspect idle land and explore approaches to stabilize the land price, including "land bidding with associated construction" and "land bidding with affordable housing funding".</li> <li>3) Differential mortgage policies to curb the investment demand: First home demand will be support but second home mortgage downpayment ratio will be raised. Enhance eligibility check and restrict approvals on mortgage to non-eligible applicants.</li> <li>4) Strengthen ASP transparency and guide on a more reasonable pricing: Guidance will be given to new commodity housing presale price. No pre-sale permit will be granted to those against guidance and projects without proper presale deposit supervision. The "single price system" will be implemented</li> <li>5) Strengthening supervision over the property market: Further strengthen the HPR, real name purchase with edibility check. Approvals on mid-low pricing and small-mid size housings will be sped up to increase supply. Contracted sales proceeds will be monitored and can only be used for project development rather than land purchase</li> <li>6) Increase construction of social housing and improve the supply system: Affordable housing targeted a completion of 20m sqm by the end of "12-5" period. Gradually merge low rent, public rent and social security housing.</li> <li>7) Increase supply of social housing: 3,000 units of "price-limited" housing will be launched in Dec 2013. Eligibility is adjustable to solve the demand for those who needed.</li> <li>8) Departmental coordination to perfect the residential supply system</li> </ol> <p>Changsha announced additional property measures to enhance the property market tightening.</p> <ol style="list-style-type: none"> <li>1) Increase the supply of commodity housing and land supply: Approvals for constructions of small-mid size ordinary commodity housings will be sped up. Ensure the residential land supply in 2013 to be higher than the average of the past five years. New plans on residential land supply will be announced on 31 Jan 2014. Targeted residential land supply in 2014 is higher than the average of the past five years.</li> <li>2) Curb unreasonable residential house demand: For second home purchases in urban areas, mortgage downpayment ratio will be further increased.</li> <li>3) Guidance for reasonable pricing for developers: Guidance will be provided to developers to foster a reasonable pricing. Pre-sale permits will not be granted to those projects that do not follow the pricing guidance of the Changsha government.</li> <li>4) Emphasis on the construction of social housing: Social housing construction plan for the city will be completed before 31 Jan 2014. Public rental housing construction will be the focus. Promote the merging of public rent and low rent housing while the eligibility for social housing will be enlarged.</li> <li>5) This notice becomes effective on the announcing date (26 Nov 2013)</li> </ol>
26-Nov-13	<p>Shanghai further tightened HPR: Non-local hukou holders with children, and with marriage status of "divorce" and "widow" are categorized as "single" in home purchasing, which means they are not eligible for buying houses. And local citizens with same status are allowed to buy only one house.</p>
26-Nov-13	<p>Hangzhou branch of PBOC upward adjusted the downpayment ratio on second home purchases to 70%: This ratio for first home purchase will be kept at 30% and no more mortgage will be approved for the home purchase.</p> <p>On 27 Nov, Fuzhou announced the following additional measures.</p> <ol style="list-style-type: none"> <li>1) Strictly control house prices: Guidance will be provided to developers to foster reasonable pricing. Pre-sale permits will not be granted for those projects which ASPs are significantly higher than the surrounding projects with similar quality, and neither which ASPs are significantly higher than other units of the same project. "Single price" system needs to be applied in all projects.</li> <li>2) Speed up the supply of commodity housing: In order to satisfy the market demand, responsible government departments will provide weekly guidance to key developers for speeding up the process of application of the pre-sale permits.</li> <li>3) Set up house price monitoring workgroup: A workgroup for monitoring on the house prices will be set up. Weekly meetings will be held to analyze the house price changes, trends and the reasons behind. Results will be used to determine the price movement in the coming week and corresponding measures will be implemented.</li> <li>4) Strengthen supervision over the market: Strictly manage over the sales process to prevent hoarding and any forms of inflating the price. Supervision over agents will be strengthened. Illegal acts will be punished and included in corporate credit file and will also be open to the public.</li> <li>5) Tighten the eligibility on home purchases of non-local households: Buyers from non-local households have to provide tax and social insurance records for 2 years during the previous 3 years dating back from the purchasing day. Otherwise, they are not allowed to buy any house in the 5 urban areas of the city</li> </ol>
27-Nov-13	

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 294: Summary of major property market-related policies (Cont'd)

Date	Measures
27-Nov-13	<p>Hangzhou issued 6 measures to stabilize the property price.</p> <ol style="list-style-type: none"> <li>1) Increase the supply of residential land: The total urban residential land supply should be 20% above the five year average. Enhance the property mix by increasing the low-mid price residential land supply. Strengthen the land market analysis and transaction management to ensure stable transactions.</li> <li>2) Speed up the affordable housing construction: Enlarge the infrastructure investment and facilitate the same time roll-out of the surrounding facilities. Explore affordable housing and construction to perfect the economic background check of the applicants. Ensure the fair allocation of such resources.</li> <li>3) Effectively increase the supply on commodity housing: Approvals on constructions of ordinary commodity housing will be sped up to increase the supply of mid to low priced commodity housing.</li> <li>4) Strictly implement the differential mortgage policy: Hangzhou branch of PBOC upward adjusted the downpayment ratio on second home purchases to 70%: This ratio for first home purchase will be kept at 30% and no more mortgages will be approved for third home purchase.</li> <li>5) Strictly enforce the differential tax policy on housing: Enhance the system development on information sharing among department. Well manage LAT charging over developers. Utilize the valuation techniques on tax changed over inventory housing held for sale.</li> <li>6) Strengthen supervision over the property market: Strictly manage over projects that are higher than the annual price target set. Greater force will be exerted to investigate illegal acts that against the HPR.</li> </ol> <p>On 27 Nov, Beijing announced 7 measures to manage the sales process of the "self use" unit to ensure it is fairness</p> <ol style="list-style-type: none"> <li>1) House source information will be disclosed on the website of MOHURD: Developers have to publish all related information on MOHURD website for at least 15 days before applying the pre-sale permit. Eligible families are only allowed to buy one "self use" unit.</li> <li>2) Families without property or living in social housing have priority: Priority will be given to local families (including single persons aged 25 or above without any properties). Prioritized groups will be separated in the allocation process to safeguard their opportunities.</li> <li>3) Buyers have to submit application online for eligibility checking: Intended buyers have to submit applications online and present the related documents in person for approval.</li> <li>4) Reference on car license plate balloting will be taken to ensure fair process: Unified software will be used for the balloting process in generating the result of applications. Reference on car license plate balloting will be taken to ensure fair process</li> <li>5) Ballot and house selection process will under notary supervision: Result of the ballots will be disclosed on the website of MOHURD and the sales venue for 3 days. House selection notice will be announced in full details including time, venue and batches info. The full process of balloting and house selection will be under supervision of notary, public and the relevant departments.</li> <li>6) Family members of the buyers not allowed to buy other self use units: After the sales contracts have been signed, family members of the buyers are not allowed to buy other "self use" units. For families in the waiting list for social housing and price limited housing, the waiting list position will be removed once the sales contract on "self units" is signed.</li> <li>7) Families purchased with fraudulent information will not be allowed to buy house in the city for 5 years: Families that hide, forge or involve other improper means in buying the "self use" units, sales contracts will be canceled once those acts were proven. Such families will not be allowed to buy houses in the city for 5 years. Any violation could be considered as a criminal offense.</li> </ol> <p>Xi'an has introduced new tightening measures to stabilize the property price and foster the healthy development of the market.</p> <ol style="list-style-type: none"> <li>1) Adopt effective measures to stabilize the property price: Various departments will adopt appropriate approaches to balance the residential land supply and manage the commodity property sales. Enhance the property market supervision and accomplish property price control target.</li> <li>2) Strengthen the presale management and ASP guidance: Projects will refer to the ASP of surrounding projects during their application of presale permit. Provide ASP guidance to developers and stop issuing permits to high ASP, high ASP growth and those who don't adopt ASP guidance.</li> <li>3) HPR and differential mortgage and tax policies will be continued to strictly implement: Investigations and punishments on fraudulent purchases and improper lending will be also strengthened.</li> <li>4) Increase ordinary residential land supply with social housing projects in priority: Supply of small-mid sized and mid-low priced housing will be further increased. New land supply plan will be completed and announced by the end of 1Q14. Targeting land supply is 10% increment from 2013.</li> <li>5) Enhance the affordable housing supply structure: Speed up the process of merging low rental and public rental housing. Carry out separation in rental vs subsidies and rental steps. Gradually increase the supply of low rental and public rental supply. Construct the affordable housing system with rental affordable housing as pillars.</li> <li>6) Further enhance supervision over the property market to tackle illegal acts and rules violation of developers: Information sharing platforms will be established for better supervision over the developers. Strictly prevent activities such as land speculations, house hoarding and price inflating. Developers committed illegal acts and serious rule violations will not be allowed for land bidding from MLR, project financing from banks and their LAT on projects will be inspected.</li> <li>7) Better monitor the property, reasonable guidance will be provided: Responsible departments have to better monitor and analyze the market. Land supply information has to be announced at the right time to manage market expectations.</li> </ol>
27-Nov-13	
27-Nov-13	

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 295: Summary of major property market-related policies (Cont'd)

Date	Measures
	<p>Taiyuan has enhanced tightening and rolled out the following new measures.</p> <ol style="list-style-type: none"> <li>1) Raise the entry point on eligibility to the HPR: i) Strengthen the enforcement of HPR; ii) Raise the buyers' eligible age from 18 to 20; iii) Strictly assess the eligibility; iv) Public organizations and private companies are only allowed to buy one unit; v) Strengthen the investigation on illegal activities.</li> <li>2) Utilize the function of mortgage policy on price control : Downpayment ratio for second home mortgage will be raised. Effective measures will be applied to curb the investment demand. Loans will be inclined to projects of small-mid sized ordinary commodity housing and social housings as to increase supply.</li> <li>3) Strictly enforce differential tax policies: Enhance supervision and collection of LAT and related taxes on developers. Strengthen interdepartmental information sharing.</li> <li>4) Increase land supply on small-mid size commodity housing and social housing: Target land supply of small-mid size housing in 2014 will not less than 70% of the total land supply. Lower the selling price through structural improvements.</li> <li>5) Support the constructions of ordinary commodity housing: Speed up the approvals and constructions on ordinary commodity housing. 70% or above of the total units supplied have to be with GFA of less than 90sqm. Maximum GFA will be capped at 143 sqm.</li> <li>6) Enhance the construction on social housing: Speed up the process on shanty house redevelopment. Major parcel of shanty houses redevelopment has to be finished by 2017. Speed up the reallocation and demolition of old villages in town, targeted to finish within 5 years. Loosen eligibility on low rent housings, personal monthly income raised from Rmb1,125 to Rmb1,290.</li> <li>7) Enhance supervision over house pricing: Continue to disclose sales and pricing information publicly with the enforcement of the single price policy. Guidance on ASP will be given to developers and violations will be subjected to halting of sales. Increase mid-low prices supply and control that of high-end housing.</li> <li>8) Strictly tackle down illegal activities and violations: Investigations on illegal activities and rules violations will be enhanced. Land hoarding will be strictly punished.</li> <li>9) Enhance media coverage and provide positive guidance : Regularly release market information to increase transparency to push rational development of the market. Media need to promote the process and achievement on market controlling measures as to stabilize market expectations.</li> </ol>
28-Nov-13	<p>Vice mayor of Guangzhou indicated they will issue supplementary announcement related to the tightening policy: Vice mayor of Guangzhou has indicated that Guangzhou will exert greater effort for the property tightening to strictly control the property price increase. He indicates Guangzhou will issue supplementary announcement includes the following details: 1) Construct the small-medium size units and speed up the presale of small-medium price units, 2) Raise the property purchase pre-requisite of non-Hukou holders and non-locals, 3) Raise the second-home down payment ratio, 4) Strengthen the property price guidance.</p> <p>Harbin has announced further tightening measures on 1 Dec to enhance control over the property market.</p> <ol style="list-style-type: none"> <li>1) Adjust the plan for land use to spread from the city center: Land supply on social housing will be put on priority. Land supply for social housing and ordinary commodity housing will not be less than 70% of the total land supply of the year; land supply in 2013 will be higher than the average of the previous 5 years, and ensure annual target of completion of 24k units of social housing will be met.</li> <li>2) Downpayment ratio for mortgages on second home purchases cannot be less than 60%, and 1.1x of the standard interest rate has to be applied</li> <li>3) Regulatory bodies on banks have to enhance the supervision on implementation of differential mortgage policy: Harbin branch of PBOC will study to raise the downpayment ratio for mortgages on second home purchases according to price changes.</li> <li>4) Specific receipts have to be provided from developers to buyers on any forms of money received</li> <li>5) Projects have to be registered and funds for pre-sale will be under supervision: This is to enhance the control over pre-sale permits by limiting the delivery time and monitoring of construction process. No pre-sale permits will be granted to those projects with high ASPs and refuse government guidance.</li> </ol>
4-Dec-13	<p>Nanchang branch of PBOC announced new measures in response to the earlier additional tightening: New measures mainly regarding to the differential mortgage policies, including raising the downpayment ratio for second home purchases from 60% to not less than 70%, continue the 30% downpayment ratio requirement on first home buying and stop providing mortgage to third home purchases.</p> <p>Changsha branch of PBOC raised downpayment requirements on second home mortgages: Changsha branch of PBOC released more details on the tightening of second home mortgage with downpayment ratio raised to 65% (up from 60%), for buyers' whose first homes are over GFA of 90sqm.</p>
7-Dec-13	<p>Hangzhou lowered the limit on land bidding premiums to 35%: Media reported that, Hangzhou government has lowered the premium on land bidding to 35% for all the land transactions in the main city area. The ceiling for such ratio is 49% before. This controlling measure applies to both residential and commercial use lands.</p>
16-Dec-13	<p>Xiamen has revised the pre-sale condition of commodity housing. Under the new rules, to qualify the pre-sale condition, 7th level or below of the building has to finish the major construction; the 8th level or above has to finish half of the construction of the main part and finish more than 7th floor. Previously Xiamen only requires the completion of basic and first level structure to fulfill the pre-sale condition of a flat (with basement) consists of four levels or above. It requires the public announcement of all available units and their pricing in 10 days after obtaining pre-sale permit.</p>
2-Jan-14	<p>Media reported that the MOHURD of Chongqing has upward adjusted the starting price of property tax charged towards hi-end residential houses. The starting point of the taxable prices has been risen from Rmb12,779 psqm to Rmb13,192 psqm. This implies that the property tax will be charged towards those new houses transacted with ASP of higher than Rmb13,192 psqm.</p>

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 296: Summary of major property market-related policies (Cont'd)

Date	Measures
10-Jan-14	In order to protect the productive farmland surrounding cities from changes in the use of land, Ministry of Land and Resources (MLR) has set limits on land supplies in large cities during the 2014 National Meeting of Land and Resources. Minister of MLR said the Central Government has requested the three big cities clusters in Eastern area of China to focus on activating the land inventory. Construction land supplies in these areas will be gradually decreased. Basically, no new construction land will be allocated to cities with populations over 5m. In rural areas, rural residential land reform has to be based on actual ownership rights on registration. The principal of one household with one house has to be insisted on in order to implement. Urban citizens are not allowed to buy land for construction of houses and villas, as to prevent "reverse urbanization".
10-Jan-14	Minister of Dongguan branch of MLR said will strictly control the new land supply for property construction use in 2014. Vice mayor of the city also said the city will also focus on redevelopment on old town, old factories and old villages.
21-Feb-14	According to Nanjing branch of Ministry of Land and Resources (MLR), an upper limit will be set at 45% premium to the asking price in all the land sales. After reaching the ceiling, the bid will be continued by the GFA area provided or the capital provided for affordable housings to be built on the land. The new rules also required that number of commodity housings with GFA less than 90 sqm could not be less than 50% of the total commodity housings.
11-Mar-14	Nanjing announced 7 additional rules on property market control. The rules included: in the coming 5 years, average land use for commodity housings will be over 500 Ha with over 50% of the units are with GFA of less than 90sqm; bidding price of lands cannot be higher than 45% of the asking price, when the limit reached, the bid will be subjected to the area allocated for social housing; developers which have delayed or failed deliveries before, units for sale are required to be completed; provide guidance on selling prices on projects, no pre-sale permits will be granted if not following the guidance standardize the application for "fine decorated" units; enhance supervision on 6 sub-urban areas; strengthen the monitoring on property prices.
13-Mar-14	Effective from 1 Apr, Beijing will raise the lowest life security amount of those who are contributing to their House Provident Fund (HPF) account. The item is a component in the formula for the calculation on mortgages to be approved from the House Provident Fund (HPF). Simply speaking, the adjustment will lower the amount of mortgage from the HPF.
21-Mar-14	Ministry of Finance (MoF) issued a notice on the guidance towards local governments on funds allocations for the merger of public rental and low rent housings. The notice regulated the subsidies towards low income families have to be delivered monthly or quarterly, and the last payment of the year has to be done before 25 Dec of the year. Moreover, for eligible families to live in the public rental housings, subsidies will be given on rent reduction rather than in monetary terms.
25-Mar-14	Guangzhou issued a notice seeking public opinions on modifying the rules on the Housing Provident Fund (HPF). Those who have obtained loans from HPF will not be eligible to further loans. This means citizens are only allowed to use the loans from the HPF for once only. In addition, application on mortgages will be accepted only after the down payment has been done paid.
27-Mar-14	Xiamen to transfer HPF mortgage loans to commercial banks. Starting March 2014, Funds for mortgages lend by Housing Provident Fund (HPF) will be from commercial banks, as to ease the tight liquidity of the HPF in the city. This is because by the end of 2013, the usage ratio has been reached 100% and applications are put in the waiting list. Same interest rate will be applied towards the applicants while the different in interest will be subsidized by the HPF management center
31-Mar-14	The management center of Housing Provident Fund (HPF) in Hangzhou has adjusted the eligibility for applying second home mortgages from HPF. Families with GFA per capita lower than 34.68sqm (upward adjusted from 34.36sqm) are eligible for application for improving the living standard.
1-Apr-14	Beijing adjusted up the guidance price for secondary commodity housings: Media reported that Beijing has adjusted up the guidance price of secondary commodity housings. Such increase would lead to the increase in tax payment and hence the guidance price is not disclosed to prevent tax evasion. Moreover, the pre-sale price of new homes have to be linked with the land costs to prevent increase in selling price if the surrounding projects recorded higher transaction prices.
2-Apr-14	Shanghai to adjust land bidding rules: Media reported that the deposit for the land bidding will be raised from 20% to 40%, which would increase the entry barrier to the land auctions. In addition, maximum of three bidders will be limited for live auctions to shorten the bidding time.
4-Apr-14	Guangzhou issues new rules to prevent land hoarding. The new rules require developers have to start constructions within 1 year after the land is bought and completions have to be done within 3 years. For those sites that will be delayed for development, the developer have to pay extra land premium for the increase in land value.
7-Apr-14	CCTV confirmed the information that Sanya has decided to stop the constructions of the housing units with area below GFA of 80sqm. This is due to the enormous investment demand from non-local citizens. However, the construction of social housing will not be limited by the new rule.
7-Apr-14	The provincial government of Hainan has issued an notice to merge the low rent housing in the cities and counties to the system of public rental housing. 10% of the proceeds from land sales in the province will be allocated for the construction of social housings, and part of the funding will also come from the housing provident fund.
14-Apr-14	MOHURD abandon the use of reporting of property price control targets. Media reported that the Ministry of Housing and Urban - Rural Development (MOHURD) has abandoned the requirement of local governments to report and publicize the annual property price controlling target. Local governments have been doing so since 2009. An official from MOHURD said earlier that the control in 2014 will be more city-specific. Also, MOHURD has confirmed house purchase restriction will be continued to be implemented in the four Tier-1 cities.
16-Apr-14	Shanghai official said controls will be continued: The official from the housing department in Shanghai said the controlling measures over the property market will be continued to be strictly implemented, currently there will not be any loosening. He added that the measures on differential mortgage treatments, tax policies and house purchase restrictions will be continued to be carried out to curb the investment demand.
21-Apr-14	Local housing department of Zhengzhou, Henan Province said under the condition which is permitted by the government's policy, the house purchasing policy will be adjusted timely according to market conditions. In addition, the province also encourages citizens in rural area to buy houses in urban area.

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



### Figure 297: Summary of major property market-related policies (Cont'd)

Date	Measures
23-Apr-14	Beijing housing authority targets to allocate the families on the waiting list for social housings within 2 years. Media reported that the Beijing housings authority will redevelop a total of 640 old districts which will benefit a total of 150k citizens. Local official said the authority targets to allocate families on the waiting list for social housings within 2 years. He also mentioned a total of 50k units of self use units will be supplied in 2014 and will not be halted in the coming 1-2 years.
24-Apr-14	Media reported that Hangzhou branch of NDRC require developers have to report to government departments before significant price change. However, media reported that details have not yet been confirmed. In the first quarter, units of transactions in Hangzhou dropped 38% YoY to 10,112 units with ASP dropped 11% o RMB15,388 psqm.
24-Apr-14	Wuxi to grant local Hukou for house buyers: Stating from 1 May, buyers of commodity houses (primary and secondary) with GFA over 60sqm, and with stable job in the city, local Hukou will be granted to the buyer, the husband./wife, and the children with age under 18.
25-Apr-14	Guangdong province to allow use HPF for down payment and rent. Guangdong issued a notice on the deepening reform of housing and urban and rural area development. The notice said will push forward the use of Housing Provident Fund (HPF) on down payments and also for rents. Such plan will be confirmed by 2020.
28-Apr-14	Hangzhou to implement differential treatment on property market control. Media reported that Xiaoshan area of Hangzhou will adjust the controlling measures of the property market. The deposit for bidding of land sites will keep at 10% of the value of the price but an upper limit of RMB10mn has been added. In addition, for the reallocation of households of demolished units, it will be adjusted from housing reallocation to monetary subsidies.
29-Apr-14	Five cities in northern bay area will share the same rights of local citizens in Nanning when purchasing house
30-Apr-14	Tianjin to loosen house purchasing restriction. Media reported that, Tianjin will implement differential policy on property market. Citizens who do not own a house in the Binhai new district are allowed to purchase house in the district. In addition, "shared ownership" housings will also be rolled out in the district. Buyers can live in the house by paying 10% of the property price as down payment and allowed to pay the rest later when affordable.
30-Apr-14	Hangzhou to subsidize relocation buyers: Xiaoshan district of Hangzhou rolled out supporting measures for relocation buyers. Previous polices will grant money for families of demolished houses instead of reallocation. If these citizens will buy a house within one year after the demolitions of the old houses, subsidies equivalent to 2% of the property price will be granted.
1-May-14	Media reported earlier that there will be loosening of the House Purchase Restriction (HPR) in the Binhai district of Tianjin that citizens are allowed to buy a house if they do not own a house in the district. Official from the of the local branch of MLR said this is still under planning and has not yet obtained approval from related department.
7-May-14	Tongling city in Anhui to subsidize property buyers: A notice from the city's government showed that, effective from 1 May, buyers of normal commodity housings, (GFA equals to or less than 144 sqm in both the primary and secondary market), 1% of the property price will be granted from the finance department. Contribution period of housing provident funds will be shortened from 6 months to 3 months. Down payment ratio will also be lowered from 30% to 20%. Eligible annual income level for single worker families also increased from RMB250k to RMB300k.
8-May-14	Changzhou government is discussing on loosening: Media reported that district governments held meetings as require by the city government, major issues including the high inventory in the city and the plan to stop the constructions of reallocation units and grant subsidies to the affected families as to encourage the purchase of commodity housings. Moreover, the local government also hopes developers could set aside some units with special offers for reallocation families.
9-May-14	Media reported that the Ministry of Land and Resources (MLR) has issued a notice on the formal establishment of the bureau for realty registration. The bureau is responsible for the registration of land, property, forest, grassland and sea. This act confirmed the unifications on registration body, registration records, registration basis and the information platform and also paving the way for property tax going forward.
9-May-14	Zhengzhou might issue new rules on mortgages: Zhengzhou city issued a notice seeking public opinions for the aim to help the mid-low income family groups to purchase normal commodity housings. The notice stated that guarantee for mortgages to individuals covers all types of loans, including both loans from commercial banks and that from housing provident funds. (JRJ)
13-May-14	PBOC has posted an official document on May 13 on the summary of a discussion forum held on May 12 between the vice Chairman of PBOC and 15 major commercial banks. In the meeting, PBOC has raised the following 5 requests to the commercial banks: Banks should reasonably allocate their credit resources and should give priorities on satisfying the financing needs of first-time homebuyers; Banks should adopt reasonable pricing for credit, and should have comprehensive review on sustainability and risk management to set reasonable interest rates for first-time homebuyers; Banks should increase efficiency to approve and grant mortgages to eligible homebuyers on time; Banks should control risks effectively, and should strictly implement the PBOC's regulations and guidelines on home mortgages, and should strengthen risk management on home mortgages; and Banks should establish inter-bank communication channels so the banks can respond to social issues and needs efficiently.

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



### Figure 298: Summary of major property market-related policies (Cont'd)

Date	Measures
14-May-14	<p>CBRC rolled out details on Circular No. 99: CBRC has issued a detailed document to the trust companies explaining the Circular No. 99 in more details, including areas on third party selling, reporting and non-standard funds pool. The notice indicated clearly that the sales of trust products have to be conducted in strict accordance with several requirements, such as,</p> <ul style="list-style-type: none"> <li>i) Sales could only be conducted under private placements and no public promotion is allowed. Trust companies are not allowed to entrust non-financial institutions for selling the trust plans;</li> <li>ii) Not allowed to entrust non-financial institutions to promote the trust plans in the form of consultation, advising and intermediating. This would cut the third party risk towards the trust companies;</li> <li>iii) Based on the concerns on proper disclosure and legalized sales, contracts should be signed directly between the trust companies and the investors.</li> </ul>
15-May-14	Ministry of Land and Resources (MLR) announced that, as to coordinate the draft on rules for land supervision by the Standing Committee of the NPC and the State Council, MLR is striving to complete the "send for approval" version of the draft of the regulations for realty registrations in June - which is earlier than expected.
16-May-14	Media reported that the regulatory body is thinking about strengthening the supervision over the "non-standard" products of banks and might require banks to reflect the actual nature of the trades. In addition, banks have to assess the actual risks bear by the loans which are excluded in the balance sheet and to report the corresponding capitals and to assign provisions for such loans.
23-May-14	MOHURD: Loosening in HPR could not lead to large fluctuation in the market: Media reported that, official from the research center of MOHURD said the House Purchase Restriction (HPR) is short-term in nature and will be removed eventually. However, on what time and what form to exit the market, it has to be decided according to the market situation. Any adjustments of the HPR have to fulfill the following premises, not to affect the market expectation and not to create large fluctuation in the market.
26-May-14	Fujian to standardize the land sales for commercial properties: The notice issued by the provincial government of Fujian to standardize the land sales in six areas including: perfecting the land sales system, establishing the system for examining the land sales notices; enhancing information publication; prohibit random change in land uses and plans; standardize the management on land sales premium; and enhance supervision.
26-May-14	Tianjin to implement new rules on property transactions: The new rules will be effective from 1 July and the sales of illegal properties will be prohibited. Moreover, agents are not allowed to receive the deposits from the buyers, keeping of the ownership certificates, violating the rules in receiving commissions, making fraudulent or amending the contracts and so on.
26-May-14	MoHURD conducted researches on property price drops: Media reported that the piling inventories and price declines in various cities have drawn the attention from the Ministry of Housing and Urban-Rural Development (MoHURD). The ministry has conducted researches and reported to the State Council. Media also reported that the research is also a request from the central government. The research covered Tier-1 cities, major Tier-2 and Tier-3 cities in the regions of Pearl River Delta, Zhengjiang, Jiangsu and so on.
26-May-14	Lending quota from HPF in Xuancheng, Anhui adjusted up to RMB300k: After Tongling, Xuancheng is another city in Anhui Province that implement supportive measures to the house buyers. The maximum lending quota for the Housing Provident Fund (HPF) will be adjusted up from RMB200k to RMB300k. Moreover, the eligible criterion on social security contribution period will also be shortened from one year to 6 months. In addition, taxes refund will also be provided by the government based on the unit types.
27-May-14	Underground floor spaces will not be allowed for pre-sale in Changsha: The local government of Changsha issued a new regulation with effective date on 12 June. The new regulation prohibits the pre-sale of the underground floor spaces in the city. The regulation also stated that the underground car parks should serve the needs of the house owners first. For underground car parks of social services units, they are not allowed to be transferred, sold or leased in batch.
27-May-14	Wuhu launched new regulation on property purchase to allow citizens without local hukou use HPF on buying houses
28-May-14	Fujian launched new rules on land sales: The newly issued notice from Fujian provincial government specifies that the many of the precondition are prohibited to be set for land sales, as to avoid lands selling to specific parties under intentions. The preconditions include requiring bidders to fulfill the following: stated amount of sales and tax payment; stated scale of development; top ranking among industry by media; owning specific brands; listed companies, SOE, or local firms, and so on.
28-May-14	Application for low rent house in Wuhan will be stopped: Media reported that effective from 1 June, the application for low rent house will be stopped. Starting 1 July, low rent house and public rental house will be merged and the eligibility criteria and assessment process will be unified.
30-May-14	Dongguan requires developers to report if transaction prices fall over 15% than original reported price: Staffs from price bureau said if the transaction prices is 15% lower than the original reported price, the online contract signing system will reject the deal and the contract could not be signed. Media reported that the rule has been existed since 2011.
30-May-14	Guangzhou denied Luogang to loosen price restriction: Media reported that Guangzhou Luogang District will loosen the price restriction starting 3 June, but representatives from local housing bureau has denied on this, saying there is no housing policy adjustment.
30-May-14	The annual report expressed that CBRC is highly concerned on the focused regions and focused enterprises. The commission will also conduct in-depth analysis of major regions and enterprises to assess the concrete risks in the real estate industry. As a result, the central government can prepare for the risk controlling policies in advance to relieve the risks. CBRC would also strengthen the management of "listing system" which could prevent the risk arising from illiquidity and the potential impacts resulted.
30-May-14	Starting 1 June, the granting of "hukou" in Haikou City will be loosened. For citizens in Hainan Province who are buying a commodity residential property in the primary market with GFA over 120 sqm, a total of 5 family members can be granted the "hukou" of Haikou city. The "hukou" can be granted to the buyer, wife/husband, parents living together, and their unmarried children.

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 299: Summary of major property market-related policies (Cont'd)

Date	Measures
3-Jun-14	NDRC officially admitted there are "micro stimulations": Official from the research center of NDRC said during a press conference that the government has taken many "micro stimulations" this year to keep the active financial policy, the stable monetary policy, which is needed by the economic development and effective.
4-Jun-14	Guangxi to implement the "five-year plan" on shanty house redevelopment: In the "five-year plan" of Guangxi's shanty town redevelopment, during 2013 to 2017, a total of 557.1k units of shanty houses have to be redeveloped, expecting a total of 1.9m citizens will be benefited. Expansion, reconstruction, integrated remediation will all be taken as forms of redevelopment.
5-Jun-14	MoHURD: HPR has not affected end-user, No cities is cancelling HPR: The chief economist of the Ministry of Housing and Urban-Rural Development (MoHURD) said, according to the perspective of MoHURD, the HPRs stipulated by the government has not had any impact on end-user demand and consumption pattern of the general public. HPRs only have restrained excessive investment demand in the housing market. In addition, as of May, a total of 2.8mn units of social housings have been started construction, achieved about 40% of the 7mn new starts target for the year.
5-Jun-14	MoHURD: There is no "inflection point" in the property market: The chief economist of MoHURD said most of the indicators showed that property market in China is still at a growth stage. The growth rate decline recently did not represent the inflection point in the sector. Since the growth rates in 2013 are extremely high, MoHURD believed that the lower growths in 2014 are just normal market adjustments, which also reflected that market forces are really working well in the China property market now.
5-Jun-14	Shanghai adjusted the contribution for HPF, effective 1 July: The new upper and lower limit of contribution to the Housing Provident Fund (HPF) are RMB2,116 and RMB226, respectively. The limits are increased by 7% and 10% from 2013, respectively. The ratio for contribution from both individual and the employers remain unchanged at 7%.
5-Jun-14	Shenyang to merge low rent housing into public rental housing by the end of 2014: The newly issued notice from Liaoning Province calls on local government to formulate detailed implementation plans to merge the low rent housing into public rental housing by end of August, and strive to achieve the goal by end of 2014. Shenyang and Dalian are urged to carry out the reform first.
9-Jun-14	MoHURD issued notice of new regulations on collective and conservative land use: The new regulation will be effective since 1 Sep 2014. There are six key areas: further enhance guidance on land use; further emphasize better planning; strengthen the standard for controls; let the market to fully exert the allocation function; highlight the re-use of land inventory; improve the system on supervision and assessment. (JRJ)
10-Jun-14	Projects sold at 10% lower than the filing price will not be processed in Foshan: Local media reported local government has issued notice on developers' deep price cut. For sites with discount of more than 10%, developers are required to go through filing procedures again. Or else such transactions will be not processed in the on-line registration system.
11-Jun-14	Shenyang government denied the loosening of HPR: Media reported that the House Purchase Restrictions has been loosened in the Shenyang, without official announcement. However, the local government has denied the rumor. Media also reported that non-local citizens are allowed to buy houses in Shenyang with one year working proof or 3 months of contribution to the social insurance. Moreover, each person of married couples is allowed to buy 2 houses within the second ring of the city.
12-Jun-14	Price restriction saw loosening in Guangzhou Zengcheng: Local media reported that Guangzhou Zengcheng MLR has given developers permission to supersede dual-contract regulation with a total price that is no more than the sum notified on house-purchase contact and decoration contact, hence decrease ASP in sales. Market perceives it as a signal that local government is taking measures to save the property market.
16-Jun-14	Wuhan to loosen the criteria on withdraw of the HPF: Starting 1 July, the minimum monthly income of the housing provident fund (HPF) will be set at RMB1,900. For citizens with monthly income less than RMB1,900 and has been recognized by the management center of the HPF, they can withdraw all the outstanding amount in the HPF account once every year.
16-Jun-14	Shaanxi Price Bureau issued an notice to abolish the management system of filing of property price. Developers no need to file the price of the commodity housing and car parking spaces before sales.
18-Jun-14	Media reported that, according to the local property agents in Fuzhou, buyers are allowed to buy more than one unit of houses as long as they are paying the full payment. An unnamed developer also confirmed with the information but there is no official response or announcement regarding to this at the moment.
18-Jun-14	Non-local citizens are allowed to purchase properties in Xiamen. For becoming eligible buyers, non-local citizens have to pay the amount contributed the social security insurance to fulfill the one year contribution record of the social security insurance. However, there is no official notices or announcement from the local government so far.
19-Jun-14	Ministry of Land and Resources issued an notice saying that the ministry will effectively control the new construction land supply in the mega-cities and to increase the land supply among small and medium cities, through different means including planning, setting criteria on land use and also exert guidance to the market.
19-Jun-14	Xiamen issued new policy for change of land use among industrial and warehouses sites. Beneficial policies could be offered for the land use for the businesses that are supported by the government, including software and information technology, cultural and creative industry, e-commerce, R&D center and so on.
20-Jun-14	The management center of the Housing Provident Fund (HPF) of Beijing announced adjustments to the rules on drawing HPF. For rental purposes, withdraw can be made every three months, shortened from 1 year. Moreover, for buying houses, citizens are no longer required to provide the house purchase contracts and documents for mortgage as proof. Moreover, if citizens are drawing HPF for rental purposes, its spouse can also apply for withdraw.
20-Jun-14	Media reported that, Zengcheng has been loosened the price restriction last month and Chonghua also allow projects to be sold at lower downpayment ratio. However, all these loosening are only verbal communications between the local government and developers, there is no official announcements.

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 300: Summary of major property market-related policies (Cont'd)

Date	Measures
23-Jun-14	Wuhu relaxed requirement for government housing subsidy: On Jun 16, the Wuhu (a city in Anhui Province) government announced a change to the housing subsidy offered to graduates. With effect immediately, university graduates will be eligible for receiving housing subsidies from the government once graduated, versus the requirement of having worked for at least 3 years in the past.
23-Jun-14	Wenzhou might loosen HPR: According to the micro-blog post of the senior management of the research department of E-House (EJ.N), buyers in the primary market in Wenzhou will not be assessed for the current property ownership, no matter how many units that the buyers own, they are allowed to purchase properties from the primary market. But this is not applied to the secondary market.
24-Jun-14	Chengdu launched 22 measures to stabilize the economy, including improving the policies towards the property market: The first home and upgrade purchase will be encouraged, approval for loans from HPF will be sped up and the demand for the contributors of the HPF will be put on priority. Moreover, the city will also actively support individual house purchasing.
25-Jun-14	Xiamen MLR adjusted the details on the regulations regarding to the money received from pre-sales among the developers. The rules require that developers cannot use the more than: i) 70% of the pre-sales proceeds before properties has been structurally completed; ii) 85% of the pre-sales proceeds before completion of the projects and iii) 95% of the pre-sales proceeds before delivery.
25-Jun-14	Hohhot: no more assessment on buyer's existing property ownerships. As reported by JRJ (mainland media), the local government of Hohhot City in Inner Mongolia has issued a notice regarding proper implementation of social housing, and healthy development of the property market. The notice reportedly removes the rules on the filing process for the pre-sale of commodity properties. Further, when citizens are buying commodity residential properties (including units in the secondary market), there is no longer a need to assess their existing property ownerships during the process of signing pre-sales contracts, registration of contracts on the internet, paying taxes, applying mortgages, and registration of property rights.
26-Jun-14	Xiamen issued a notice regarding the management over the social housing allocations. The notice stated that those who destroy the structural parts of the houses will be fined for RMB50k. Moreover, a credit filing system will be established. Those households that have poor credit records or seriously violated the regulations will be banned from applying for social housings for 5 years.
2-Jul-14	According to the management center of Housing Provident Fund (HPF), in 1H2014, Guangzhou HPF has lent out RMB10bn. The management center requires the loan-to deposit ratio of the HPF to be no higher than 80%, and loans amount less than RMB17bn.
3-Jul-14	Jinan to end HPR from 10 July: Effective from 10 July, the housing purchase restriction in Jinan will be removed. From the effective date, no matter local or non-local residents, there is no restriction on the number of units to be purchased, both in the primary and the secondary market. In addition, non-local residents are not required to provide proof of tax payment nor contribution to the social security insurance.
7-Jul-14	Nanjing MoHURD denied offering tax subsidies to units with area over 144 sqm: Media earlier reported that the local government will offer tax subsidies to buyers who are buying flats with area over 144 sqm. However, this has been denied by the local MoUHRD in the city. The city currency charging 3% deed tax for units with area over 144 sqm.
9-Jul-14	Local governments issued notice on collection of the delayed land appreciation tax: Media reported that Guangdong Province and Xiamen of Fujian Province have issued notice regarding the collection of the delayed land appreciation tax (LAT) from the developers. The measure in Guangdong has become effective since 1 July, indicating that the developers have to pay the LAT if 85% of the project has been sold, or three years after obtaining of the first pre-sale permits, or having approval from the local taxation bureaus.
9-Jul-14	MoHURD: to confirm the supportive policies on private capital investment in public rental housing: Media reported that the MoHURD has issued a notice requiring local governments to improve the merging and management of the public rental and low rent housings. In addition, the notice pointed out the requirement on new financing system and to confirm the supportive policies to encourage the involvement of private capital.
9-Jul-14	Social housings in Xiamen will be rentable and sellable: In late June, local government has passed the new rules regarding social housing. The social housings in the city will be both rentable and sellable. The official said the rationales behind are to satisfy the demand from citizens on buying houses and also help to solve the need of funds of the government in development of social housings.
11-Jul-14	Xiayang, Hubei requires projects under 30k sqm to be sold with completed units: Media reported that the local government of Xiayang city has issued a piloting rule requiring property projects with two buildings or less, and with total GFA under 30ksqm to sell completed units, no more pre-sale is allowed.
12-Jul-14	Five cities in Sichuan started the merging of social housings: The provincial government issued a notice regarding the supply and reform among social housing. The notice mentioned that, in Chengdu, Deyang, Yinbin, Leshan and Shuining, leases of the public rental housing will be able to purchase of 40-60% of the housings and share the ownership with the government.
15-Jul-14	Xiamen removed purchase restriction on units with selling price over RMB5mn: Media reported that, the local government has removed the purchase restrictions on the house units with selling price over RMB5mn, and is further expanding the area for removal on the restrictions. However, there is no official document from the government regarding the loosening.
15-Jul-14	Wuhan requires public housing equipped in commercial housing projects: Local government issued a notice stipulates that for all the listed sites sold after July 1 that have requires areas for public housing project, government will own, decorate, allocate and maintain these public housing.

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 301: Summary of major property market-related policies (Cont'd)

Date	Measures
16-Jul-14	Market rumors Nanchang loosened HPR: Media reported that, promotion advertisements of many of the newly launched projects are indicating that the housing purchase restrictions (HPR) has been loosened. Projects outside of districts of Donghu, Xihu, Qingshanhu and Qingyunpu are no longer subject to HPR. However, local authority refused to comment on this.
16-Jul-14	Market rumors Changsha might loosen HPR: Media reported that Changsha is going to loosen the HPR, non-local citizens are allowed to use the housing provident funds (HPF) from their home town to purchase houses in Changsha. Moreover, buyers of units in Xiangao district will be subsidized for 50% of the deed tax. However, local MoHURD said there is no official notice issued regarding such loosening.
17-Jul-14	Zhengzhou might cancel HPR: Media reported that the local government of the Zhengzhou city in Hunan is ready for cancelling of the housing purchase restrictions (HPR). However, as the property market in the city is healthier than the country in general, it is not urgent for the city to cancel of the HPR. The government will closely follow the policy and also observe the way adopted by other cities.
17-Jul-14	Hebei issued new notice to guide healthy property market development: The new notice issued by the provincial government required the newly acquired lands have to start constructions within 1 year after the land has been transferred and constructions have to be completed within 3 years. In addition, the supply for small-mid sized housings will be increased and the consecution for social housing will be enhanced. Also, individuals who buy the only flat with area under 90 sqm, rate for the deed tax will be lowered by 1%.
17-Jul-14	Chuzhou to subsidize homebuyers: Media reported that, Chuzhou, a city in Anhui has issued a notice that, for first time homebuyers with education level of college or above, or with mid-level technical qualifications, are eligible to apply for subsidies when they are buying normal commodity housings (with GFA less than 144 sqm) during Jan 2014 to Dec 2015.
18-Jul-14	State Council: the key for policy on property market in 2H is differential policy: Researcher from the State Council said in a public event that the property market is now undergoing an upgrade and transforming stage, the differential policy treatments in 2H is the key for the market. Local governments should be allowed to choose their own ways on the policies.
21-Jul-14	Wuhan officially announced HPR loosening: The local Department of Housing Management hosted meetings with major developers to launch the new policy that houses with GFA bigger than 140 sqm, both in primary and secondary market, are exempt from the Housing Purchase Restriction (HPR). Only one year of social security fund payment record are required for non-local residents in new districts (including Caidian District, Jiangxia District and etc) and talents with Bachelor or higher degree. Also government also pledge the banks to satisfy first time home buyers and strengthen support for upgrading buyers.
21-Jul-14	Yunan is planning on loosening of HPR: The local government says to relieve the high inventory pressure it is likely that government will repurchase the houses to be used as affordable housing. According to the data of NBS, as of June inventory area is recorded as high as 11,900 with 31.4% in crease YoY.
22-Jul-14	Suzhou is said to cancel HPR soon: An university professor in Nanjing published in micro blog that the Housing Purchase Restrictions have been called off in Suzhou real estate transaction center - there are no restrictions on housing purchase with GFA bigger than 90 ksqm for both local and non-local people any more. The policy for Hong Kong, Macau and foreign buyers stay unchanged - only one house is allowed nationwide.
22-Jul-14	Hangzhou admitted HPR adjustment: Recently it is rumored that Xiaoshan District and Yuhang District will be called off and rural cooperation banks will provide mortgages with benchmark interest rate. However Department of Housing Management government official denied on this later but admitted that there will be some HPR adjustment to be expected as government is under a lot of pressure in face of the weak market now, and also a lot of cities have already seen HPR loosening.
22-Jul-14	Guangzhou is said to roll out new HPF policy in August: The adjustment in new policy lies in the qualification for loan applicants. Old policy stipulates local / non-local residents are eligible for loan application only if they have consecutively made HPF payments for more than 24 months/ 36 months respectively. New policy loosen this requirement of consecutive 24 months / 36 months to 24 months / 36 months in the aggregate, respectively.
24-Jul-14	Haikou to call off HPR: Local government has issued notice on this decision but with no further detail disclosed. The media rumored after the cancelation, buyers are no longer required to provide proof of already owned housing units. Haikou, a market highly depend on non-local buyers, has seen a 28.29% decline YoY for 1H14 in volume since the beginning of this year.
25-Jul-14	CCTV reported that, according to information from various developers, the house purchase restrictions in Chengdu have been loosened. Completed set of information is no longer needed for assessment during house purchases. Although there is no official document issued, successful transactions have been made.
25-Jul-14	Local residents in Tianjin are allowed to buy the third houses: Media reported that that official from housing department in Tianjin has confirmed that, even there is no official announcement on loosening of the HPR, the restriction on the third purchasing of the third house has been loosened. Residents with local "hukou" are allowed to purchase the third house with down payment of 60%.
25-Jul-14	Upper limit for ordinary commodity residential units in Shenyang is adjusted to RMB11,230 psqm: Media reported that, the upper limit for ordinary commodity residential units in Shenyang has been adjusted to RMB11,230 psqm. Hence, some units which were categorized as luxury units will fall into the normal residential units after the adjustment. Relative deed tax rate will be lowered from 4% to 1.5%.
25-Jul-14	Shenzhen citizens can withdraw HPF two times for rental: Media reported that the MoHURD of Shenzhen has issued a notice seeking public opinions on the withdrawal of housing provident fund (HPF). Citizens who are renting houses are allowed draw twice from the HPF. Other citizens are allowed to draw money once every month for house consumption expenditure.
25-Jul-14	ABC offer interest rate discount for first home mortgages. Media reported that Agricultural Bank of China (ABC) (1288.HK) is offering 5% discount to mortgage for houses with total cost over RMB2mn, starting 1 Aug in Shanghai. Moreover, the bank also responded to media enquiry that the bank has adjusted the mortgage policy according to local market conditions.

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 302: Summary of major property market-related policies (Cont'd)

Date	Measures
28-Jul-14	Media reported that Xi'an has officially loosened HPR on units with GFA less than 60 sqm, both in the primary and the secondary market. This means such type of units is no longer under the restriction on house purchasing. Upgrade buyers are also no needed to report the current ownerships on such type of units.
28-Jul-14	Media reported that Wuxi has issued a notice that, effective from 26 July, house purchase restriction on units with GFA 90 sqm or above will be cancelled while HPR on units with GFA less than 90 sqm will be continued. Third home purchases only accept full cash payment. Such information is verbally confirmed during the meeting of local authorities and no official notice has been issued yet.
28-Jul-14	Shijiazhuang loosened HPR: Media reported that, effective from 1 Aug, house buyers with non-local "hukou", or owning two property units, are allowed to buy property units in the city. Local housing authorities will not ask for proof of house ownerships during the process of purchasing.
29-Jul-14	Hangzhou will lift the ban on buying a second home in Xiaoshan and Yuhang districts starting Tuesday, according to Hangzhou Housing Security and Management Bureau. The ban is also lifted for buyers purchasing a house more than 140 square meters in downtown areas, according to the bureau.
30-Jul-14	Wenzhou confirmed the loosening on HPR: Media reported that the MoHRUD of Wenzhou has announced during a press conference that the HPR in the city will be loosened effective right after the press conference. Buyers are no longer needed to assess for house ownerships, non-local citizens will be treated the same as local citizens in house purchasing. Moreover, the city is striving for offering discounts to first home mortgages.
30-Jul-14	Residential financing department of NDB is allowed to operate. Media reported that the China Banking Regulatory Commission has approved the operation of the residential financing department in the National Development Bank (NDB). The department will be involved in the financing of the shanty town redevelopment projects and infrastructure construction nationwide. Media commented that the shanty town redevelopment will be sped up with financial support.
31-Jul-14	Ningbo loosened HPR: Media reported that, the MoHURD of Ningbo city has announced the removal of HPR in its official micro-blog website. Effective from 31 July, house buyers for units within the city and in Jinzhou, Beicang, Zhenhai, Gaoxin district (including commodity shared rental units and units in the secondary market) are not longer to provide information on current house ownerships. For units with GFA over 90 sqm or units in the secondary market in Haishu, Jiangdong, Jiangbei Center, house buyers are also no need to provide information on house ownerships.
1-Aug-14	Shaoxing to loosen HPR. MoHURD of Shaoxing has issued a notice mentioning that the HPR will be loosened in the city. Non local residents are allowed to purchase houses in the city. Downpayment requirement on the second home mortgage will be downward adjusted to 405 from 60%.
1-Aug-14	Qingdao loosened HPR: Media reported that effective from 1 Aug, Qingdao will loosen its HPR, becoming the second city in Shandong Province after Jinan to loosen HPR. The HPR on primary and secondary market in Huangdao and Chengyang districts will be removed. While units with GFA 144sqm or above in Shinan, Shibe, Licang and Laoshan districts will be free from HPR while unit with GFA under 144 sqm will still under HPR.
4-Aug-14	Guangzhou: HPR is not loosened: Vice Mayor Rugui Chen in Guangzhou indicated in Guangzhou government's press conference that Nansha, as part of Guangzhou, will follow country's policy on Housing Purchase Restrictions (HPR). He reiterates HPR has not seen any loosening in Guangzhou.
4-Aug-14	Sichuan to subsidy 3% for first home mortgages: Media reported that the Sichuan Ministry of Finance has announced that effective from 1 Jul to 31 Dec, financial institutions offering first home mortgages to citizens who purchasing houses in the province, with interest rate limit at the PBOC benchmark rate, a 3% of the granted mortgages will be subsidized.
4-Aug-14	Tianjin to loosen HPR on non-local residents: Media reported that the staff from Tianjin housing department has confirmed with media that non-local citizens are no longer required to provide proofs on tax payment and social insurance contributions when purchasing house units. Moreover, the limitation on non-local residents to purchase second property units will be also removed.
5-Aug-14	Fujian might officially loosen HPR: Media reported that the local MoHURD of Fujian Province has officially issued a notice to allow Fuzhou and Xiamen to adjust the HPR. Moreover, buyers are no need to provide proofs on one-year tax payment and contribution to the social insurance. The number of units bought will only be recorded for the purchased in the primary market. Units with plot ratio over 1.0 and GFA under 144 sqm will be categorized as normal commodity units. For secondary units completed over 5 years, transactions will be free from the business tax.
5-Aug-14	Sichuan to withdraw the subsidy on first home mortgages: Media reported that the Finance Ministry of Sichuan has issued a notice earlier that 3% of the granted mortgage value will be subsidized to the financial institutions. The local government has withdrawn such arrangement on 3 Aug. The implementation of such arrangement is subject to local government's further announcement.
6-Aug-14	Guangxi to loosen mortgages for second home purchase. To promote the development of property market, Guangxi has rolled out supportive measures, including the implementation of the differential mortgage treatments and also loosening on second home mortgages, and meanwhile raise the cap on mortgages quota from Housing Provident Fund (HPF). HPF can also be used to purchase house units in other cities apart from where the citizens working and hukou is located.
8-Aug-14	Fujian and Xiamen are allowed to adjust the HPR, buyers are no need to provide proofs on one-year tax payment and contribution to the social insurance. For those who have fully repaid the existing mortgage, they are allowed to apply for another mortgage and will be treated as the first mortgage applied. Banks are also asked to support development loans, and to speed up the process for loan approvals.
10-Aug-14	Zhengzhou officially loosened HPR, effective from 9 Aug. Home buyers are no longer required to provide proofs on no. of house ownerships, residence, tax payment and contribution to social insurance. The loosening has covered five districts in the city and also the Zhengdong New District.

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 303: Summary of major property market-related policies (Cont'd)

Date	Measures
12-Aug-14	Hunan issued new measures to ensure the healthy development of the property market. The notice issued by the MoHURD of Hunan clearly stated that the government will re-purchase the normal commodity housings to replenish the house resources for social housings. Moreover, non-local residents are allowed to apply house provident loans and also the supervision on capital requirement for residential projects will be halved.
13-Aug-14	Discounts on first home mortgage hard to seen in Beijing: Media reported that, discounts for first home mortgages in Beijing is not wide seen in Beijing, only Beijing Rural and Commercial Bank, CITIC Bank (0998.HK) and China Merchants Bank (3968.HK) offer 10% discount. Industry experts commented that this is due to the current risk outlook on the property industry, low return and long loan terms.
17-Aug-14	Outer island of Xiamen to see completed HPR loosening: The notice issued by MLR, Municipal Finance Bureau and etc and will be effective for one year. The key are on the notice is that outer island area, namely Jimei, Haicang, Tong'an, Xiang'an will be free from HPR. Other contents include the regulation that only high end residential housing are allowed in inland area and that first upgrading will be treated as first home buying.
17-Aug-14	Dalian to loosen loan from HPF: The Housing Provident Fund (HPF) Management Centre of Dalian issued a notice on the adjustment of HPF. The requirement of the eligible borrowers will be changed from "timely contribution to the HPF for 12 months or above" to "timely contribution to the HPF for 12 months or above, and has opened the account for 9 months or above". Media reported that this arrangement has finished seeking public opinions and actual effective date is yet to be announced.
18-Aug-14	Harbin loosened HPR: According to the local housing bureau, effective from 16 Aug, local and non-local residents are no longer to provide house ownership proofs when purchasing houses in both the primary and the secondary market. This marks to end to the HPR which has been in force since Feb 2011.
19-Aug-14	Mortgages see loosening in Tier-1 cities: Mortgage rate at 30% off of the benchmark rate in Beijing has been seen. The actual arrangement will invest part of the down payment to trusts and the buyers will be rebated monthly. Besides, most of the large banks in Shenzhen and Guangzhou have lowered the first home mortgage rate to benchmark rate or PBOC+5% from the PBOC+10% earlier.
20-Aug-14	Jiangxi launched new measures to support the property market: The provincial government issued a new notice with 20 measures to support the healthy growth of the property market. Major measures including to lower the down payment requirement for second home mortgages; to support the government in cities where inventory is high to purchase the units from developers for replenishing the social housing supply; and encouraging private capitals to involve in public investments.
26-Aug-14	Mortgage discount saw in Beijing: Media reported that some banks in Beijing are offering discounts on mortgages to homebuyers. The promotion of bank with an agent offers 10% discount. Media also reported that 5-10% discounts have been seen in Beijing Rural Commercial Bank, China Merchants Bank (3968.HK), Bank of Communication (3328.HK) and some foreign banks. However, there are different criteria have to be satisfied, including the purchase of wealth management product or having a certain amount of deposits. Industry insiders commented that the approval process from the banks have been sped up.
27-Aug-14	Ningxia announced supporting measures towards property sector: According to the notice issued by the local government of the autonomous region, buyers are no longer needed to provide the information in relation to the number of house units that they own. On the financial arrangements, first time home buyers are allowed to borrow a maximum of 15x of their contributed amount from the HPF, and the HPF lent could be as much as 75% of the house price. 1-1.5% discount on deed tax will also be offered for families that are only buying one single flat.
28-Aug-14	More discounts on mortgages saw in Shanghai. China CITIC Bank (0998.HK) is offering discounted interest rate mortgage to home buyers. Based on the amount of deposits in home buyers accounts, they can get different discounts for their mortgages - and can be as low as 0.8x bench mark rate in certain circumstances.
29-Aug-14	Hangzhou to fully loosen HPR starting 29 Aug. According to the official micro-blog of the Hangzhou housing department, as to allow the market to take the lead in the market adjustments, buyers of units (both in primary and secondary market) of GFA under 140 sqm within the main town area. are no longer needed to provide the house ownership record. Earlier in July, the same loosening measures have been applied to areas in Xiaoshan and Yuhang districts.
29-Aug-14	Media reported that the authority in Xi'an has announced that starting 1 Sep, buyers in both the primary and secondary markets are no longer to provide hukou and current living situation. Previously such arrangement only applies to units under 60 sqm. The notice from the authority also mentioned to stimulate the transaction in the secondary market.
29-Aug-14	The MOHURD of Guiyang announced that the HPR will be officially canceled starting from 1 Sep. No matter buyers with local or non-local "hukou", they are no longer limited for number of house units to be purchased, and also no need to provide house ownership record, tax payment record or social insurance contribution record.
30-Aug-14	Ningbo to fully loosen HPR. The official micro-blog of the MoHURD of Ningbo revealed that the HPR in the city has been fully loosened starting 30 Aug. House buyers (both primary and secondary market) in Jinzhou, Beilun, Zhenhai and Gaoxin are no longer required to provide house ownership records. For units under 90 sqm in the secondary market in Haishu, Jiangdong and Jiangbei, house buyers are also no need to provide the house ownership.
30-Aug-14	Wuxi to fully loosen HPR: Media reported that, the local housing department of Wuxi has issued a notice to further loosen the HPR. After on the cancellation of HPR on units of 90 sqm or above, the city is now loosen the HPR for units under 90 sqm, which means citizens are allowed to buy three house units or above, and they are not required to provide the house ownership record when purchasing house units.
1-Sep-14	Qingdao to fully loosen HPR: Media reported that the local MLR of Qingdao has announce in their official micro-blog that the HPR on units under 144 sqm in the districts of Shinan district, Shibeи district, Licang district and Laoshan district will be loosened starting 1 Sep. In addition, the government also announced that at least 35k units of social housing will be started construction in during 2014-2016. After 2016, 10k units of in social housing new starts will be implemented annually.

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 304: Summary of major property market-related policies (Cont'd)

Date	Measures
1-Sep-14	Anhui residents are allowed to use HPFs to purchase houses outside the province: According to information released by the MoHURD of the province, citizens in Anhui Province are allowed to use the HPFs to purchase house units outside the province. Homebuyers can choose to apply the HPF either on the place of contribution or the place of house purchasing.
2-Sep-14	Hangzhou might subsidize homebuyers: Media reported that non-confirmed information from the internet showed that the government will provide 1.3% of the house prices subsidy to eligible homebuyers. A maximum of RMB 30k would be subsidized to each homebuyer. In addition, the eligibility for granting the local "hukou" for buying houses will be lowered to 60 sqm from 90 sqm. The down payment ratio for applying HPF mortgage on the second home will also be lowered.
4-Sep-14	Heilongjiang to trial property tax: The detailed criteria stipulated that except the 8 types of housing that are exempt from property tax, all private non-commercial use real estates, all rental housings and self-used units are required to pay property tax from now on. Cases that can decrease tax amount including dangerous housing that is no longer used and some units in social welfare institutions.
4-Sep-14	Lanzhou cancels HPR: According to the official website of the Lanzhou housing department, starting from 3 Sep, homebuyers in both the primary and the secondary market are no longer to provide house ownership record for assessment. Previously, non-local citizens are only allowed to own one house unit and local citizens are allowed to own two house units.
10-Sep-14	Xiamen simplified the procedure on drawing HPF. Media reported that, effective from 6 Sep, citizens in Xiamen will no longer need the approval from their working units for applying the withdrawal on HPF or the monthly repayment. Citizen can directly apply in the HPF management center with related documents and ID card.
12-Sep-14	Xining loosened HPRs: The housing security and management bureau in Xining, capital of Qinghai Province, lifted its 3.5-year-old curbs on housing purchases. There will be no restrictions on the number of houses people can buy, and home purchases will be open to both locals and non-locals, the bureau said.
12-Sep-14	Shenyang to fully cancel HPR. Media reported that starting from 12 Sep, home buyers (in both primary and secondary market) with local "hukou" are no longer needed for house ownership assessment. In addition, buyers with non-local "hukou" are no longer needed to provide the proof of contributions to social insurance or tax payment.
16-Sep-14	Hubei provincial government launch measures to support the property market. The local MoHURD of Hubei announced new measures to support the property market. For first time homebuyers of normal commodity housings, 30% downpayment will be applied, and the lending rate for the mortgage could be lowered to 0.7x of benchmark rate. Deed tax will be halved for buying only one house unit; while 1% deed tax rate will be applied for buying one unit under 90 sqm.
16-Sep-14	Wuxi to adjust up the lending quota from HPFs. The local government of Wuxi has announced that, starting from 1 Oct, lending quota from HPF for individual will be increased to RMB300k, and that for couples will be increased to RMB600k. Moreover, eligibility for second homebuyers to apply for HPF will also be loosened.
22-Sep-14	Nanjing to cancel HPR: Media reported that on 21 Sep, the local government of Nanjing has issued a notice regarding the healthy development of the property market in the city, with immediate effect that home buyers are no longer to provide proofs on property ownership. Moreover, residents without local hukou are also allowed to purchase houses in the city without providing proofs on social insurance contribution
22-Sep-14	Jinan to use HPF to support social housing: Media reported that Jinan has received all the principals and interests for supporting the construction of social housings in the province. The province has been one of the piloting areas for such arrangement since 2010. The total amount of RMB1bn has lent for several projects. Media reported that currently there is no further arrangement on this arrangement.
24-Sep-14	Experts: Mortgage loosening is on the way: Despite the confirmation on the mortgage loosening is still pending confirmation from the banks as well as PBOC, media reported that industry experts are expecting the loosening as reported earlier. They believed that relating policies will be rolled out shortly
24-Sep-14	Wuhan to fully remove HPR: Media reported that Wuhan will fully remove HPR starting from 24 Sep. Home buyers in both the primary and the secondary market are no longer required to provide proofs on house ownership and also "hukou" information.
24-Sep-14	Zhuhai in Guangdong might loosen HPR: Media reported that the provincial government of Guangdong has agreed to loosen the HPR in Zhuhai city, and currently is studying the details for implementation. Industry expert from Guangdong said earlier that Guangzhou and Shenzhen could gradually loosen HPR
25-Sep-14	Shijiazhuang might fully cancel HPR starting 26 Sep: Media reported Shijiazhuang in Hebei might be fully canceled HPR on 26 Sep. However, there is no official announcement from the housing department of the city. Media reported that, homebuyers are no need to provide proof of house ownerships
25-Sep-14	Bank of China has authorized its branches to adjust the mortgage policy: Media reported that, in response to the rumour on mortgage loosening, Bank of China (3988.HK) replied to the media that it has authorized its branches to adjust the mortgage policy. Moreover, Agricultural Bank of China (1288.HK) also said it will enhance the support of mortgages related to first home buyers and upgraders.
29-Sep-14	Sanya is said to cancel HPR after National Holiday: According to people familiar with this matter, the relative official documents are now under process. If this prove to be true, there will be only 4 Tier-1 cities, namely Beijing, Shanghai, Shenzhen, Guangzhou, still under HPR from then on.
29-Sep-14	Shijiazhuang canceled HPR thoroughly: According to local MLR, home buyers will not be asked to provide housing records any more, effective from 26 Sept. And as long as there is no mortgage record under their name in banks, their purchase is eligible for 0.7x benchmark interest rate loans.

Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



Figure 305: Summary of major property market-related policies (Cont'd)

Date	Measures
29-Sep-14	Zhuhai to cancel HPR: According to the website of the local authority, Zhuhai has adjusted the HPR in the city on 26 Sep. Home buyers for house units with GFA over 144 sqm and home buyers for hose units in New Town district are no longer required to provide proofs for tax payment and social insurance contribution. Moreover, restriction on people with non-local hukou has also loosened.
30-Sep-14	Nanchang branch of PBOC to loosen mortgages: Media reported that, he Nanchang branch of PBOC has issued a notice on the loosening of mortgages. Downpayment requirements for second home mortgages will be lowered from 70% to 60% with immediate effect. The notice also required banks to follow the instruction and made public announcements before 10 Oct.
30-Sep-14	PBOC issued an notice on mortgage loosening: On the afternoon of 30 sep, the People's Bank of China (PBOC) has issued a notice on its website regarding the financing arrangements on the real estate industry. For families applying for the first home mortgages, lowest downpayment ratio is 30% and the lower limit for mortgage rate is set at 0.7x of the benchmark rate, detailed implementation will be based on banks actual situation. For the upgrading purchases of families which are owning one house unit and have fully repaid the related mortgages, banks have to apply first home mortgage arrangements on such families.
3-Oct-14	Guangzhou under HPR loosening discussion: According to people familiar with this matter, the internal discussion for relaxation is threefold: first, non-local residents are eligible for purchase of 1 unit without contribution to social security fund; every local resident is eligible for purchase of 2 units, i.e. a couple can buy 4 units; unit with size larger than 144 sqm are not to be under purchase restrictions any more. The final decision is yet to come.
6-Oct-14	PBOC retains stable policy with moderate liquidity: On the back of a stable domestic economy and differentiating global landscape(with more recovery in US and more easing in Europe), PBOC is set to adopt various monetary policy tools to maintain healthy growth in credit and social financing scale, according to the 3Q14 Monetary Policy Committee Meeting hosted by ZHOU Xiaochun.
8-Oct-14	Guangzhou might loosen HPR: Media reported that the HPR in Guangzhou might be loosened as the government is holding meeting to discuss the issue. However, the government has not confirmed or released any document relating to this. Some developers are making agreements to potential buyers and received "deposit", if the policy is loosened within three month, the transaction will be taken place, or the developer will return the money to the customers.
9-Oct-14	Sanya MoHURD denied HPR loosening: While there has been news that Sanya will cancel HPR from 7 Oct, the government's official from MoHURD has made it clear that Sanya will not see HPR relaxation for now. MoHURD indicated this decision is aimed at accelerating industrial transformation and upgrade.

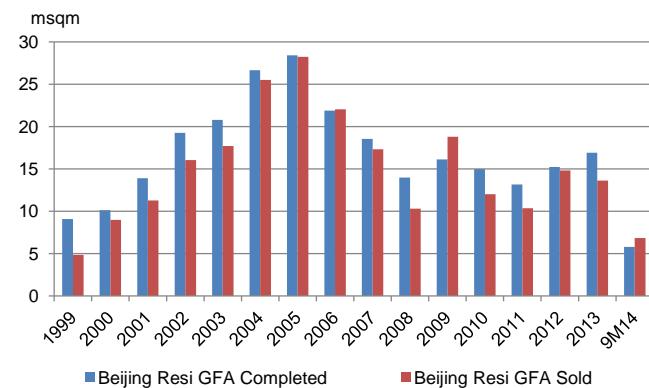
Source: State Administration of Tax, Ministry of Finance, PBOC, Guangzhou SAT, Shanghai SAT, Beijing SAT, Ministry of Construction & CIR, Deutsche Bank



# A closer look at supply

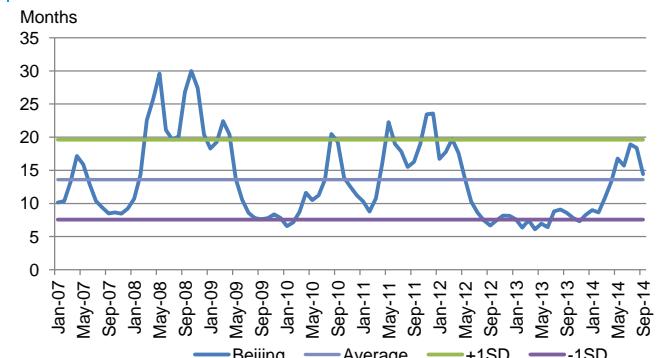
zNumber of months to clear available-for-sales/presales properties for individual cities

Figure 306: Beijing – Residential GFA completed vs. sold



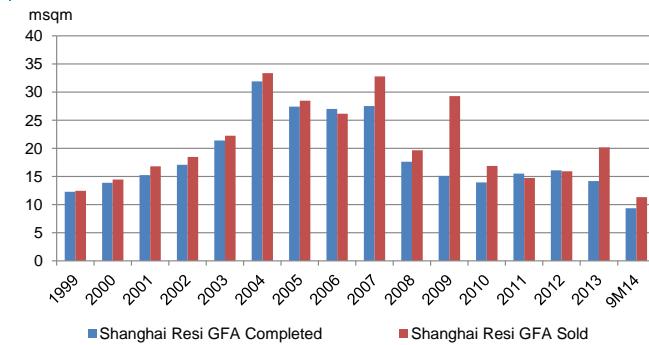
Source: Deutsche Bank, Soufun

Figure 307: Beijing – No. of months to clear available-for-sale inventories



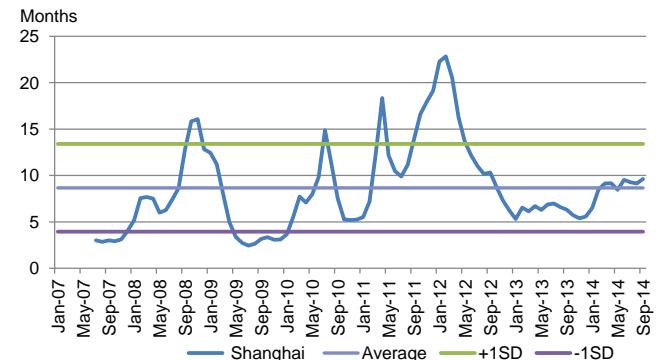
Source: Deutsche Bank, Soufun

Figure 308: Shanghai – Residential GFA completed vs. sold



Source: Deutsche Bank, Soufun

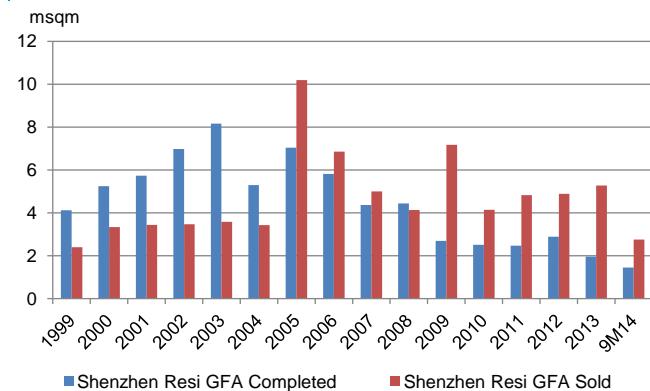
Figure 309: Shanghai – No. of months to clear available-for-sale inventories



Source: Deutsche Bank, Soufun

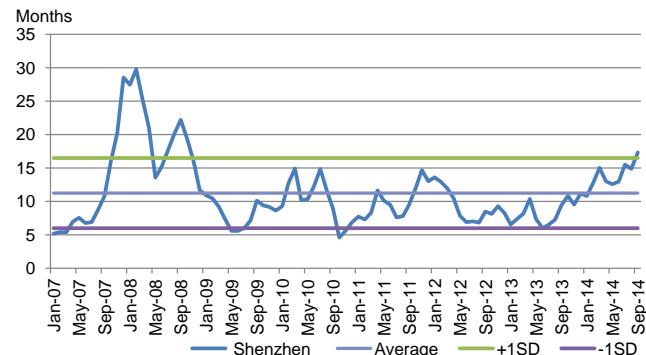


Figure 310: Shenzhen – Residential GFA completed vs. sold



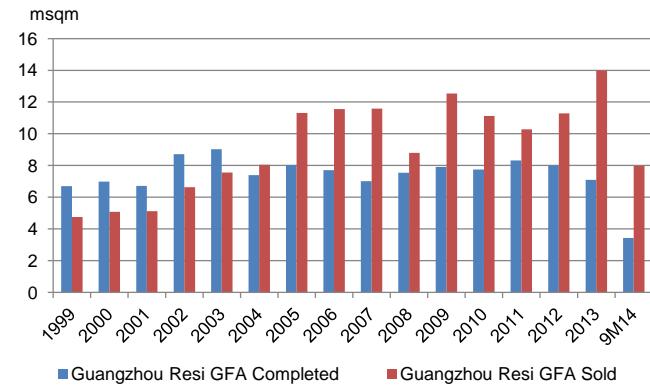
Source: Deutsche Bank, Soufun

Figure 311: Shenzhen – No. of months to clear available-for-sale inventories



Source: Deutsche Bank, Soufun

Figure 312: Guangzhou – Residential GFA completed vs. sold



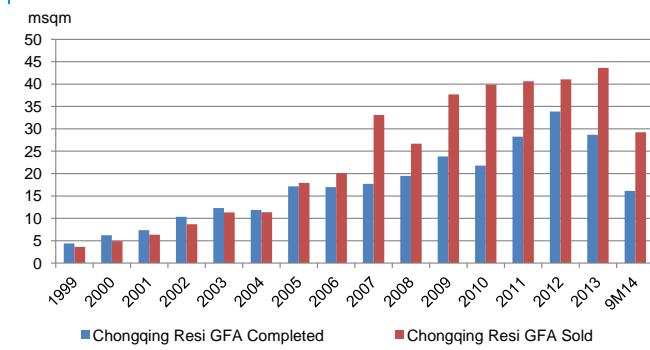
Source: Deutsche Bank, Soufun

Figure 313: Guangzhou – No. of months to clear available-for-sale inventories



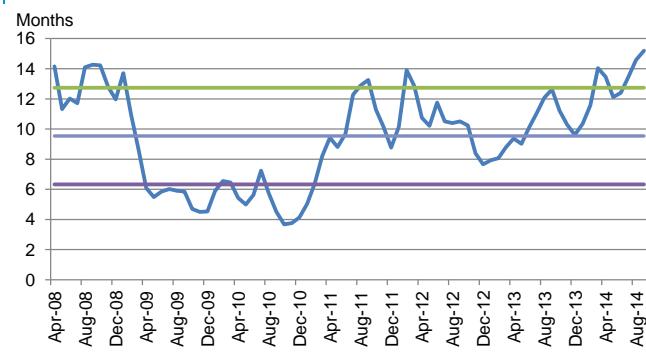
Source: Deutsche Bank, Soufun

Figure 314: Chongqing – Residential GFA completed vs. sold



Source: Deutsche Bank, Soufun

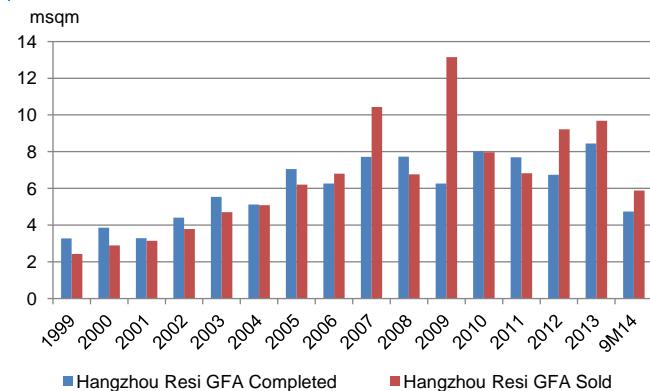
Figure 315: Chongqing – No. of months to clear available-for-sale inventories



Source: Deutsche Bank, Soufun

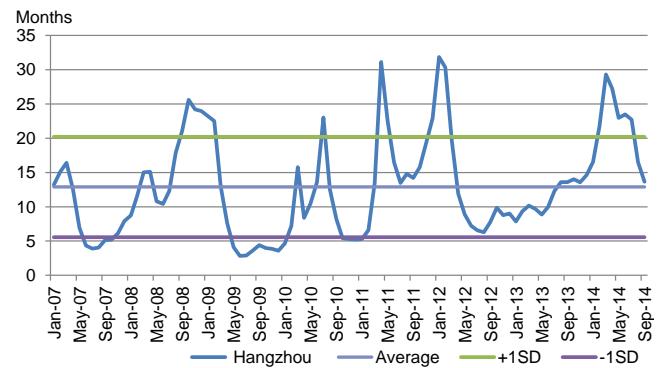


Figure 316: Hangzhou – Residential GFA completed vs. sold



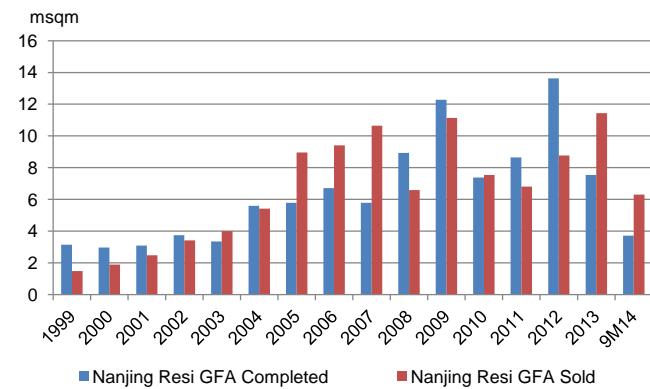
Source: Deutsche Bank, Soufun

Figure 317: Hangzhou – No. of months to clear available-for-sale inventories



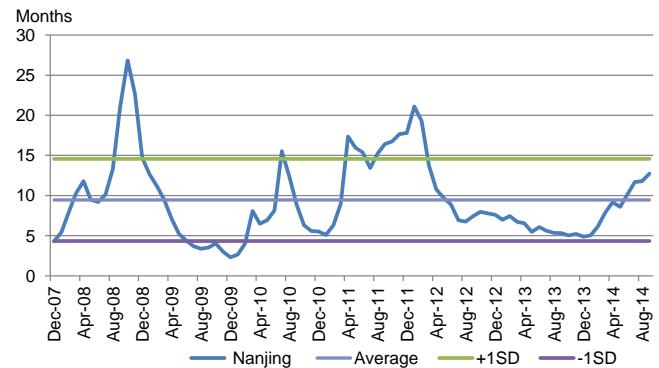
Source: Deutsche Bank, Soufun

Figure 318: Nanjing – Residential GFA completed vs. sold



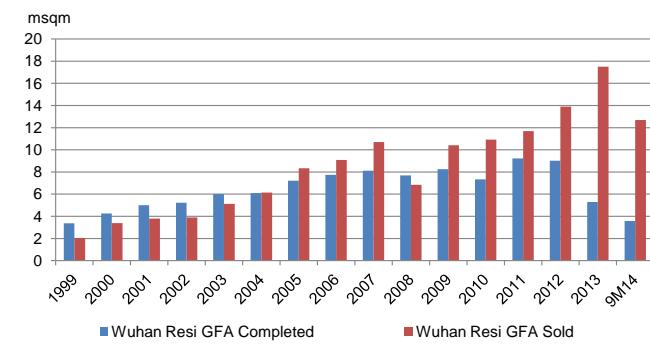
Source: Deutsche Bank, Soufun

Figure 319: Nanjing – No. of months to clear available-for-sale inventories



Source: Deutsche Bank, Soufun

Figure 320: Wuhan – Residential GFA completed vs. sold



Source: Deutsche Bank, Soufun

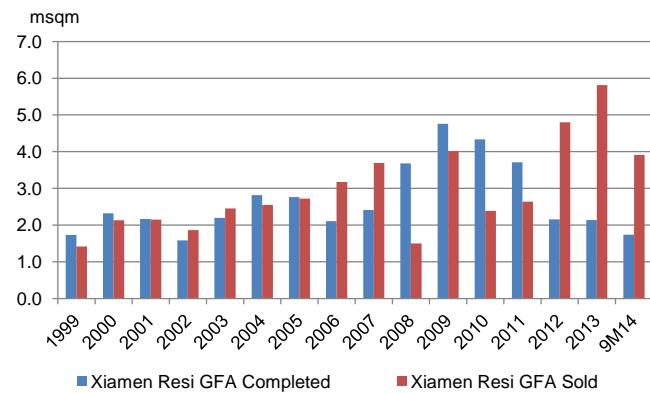
Figure 321: Wuhan – No. of months to clear available-for-sale inventories



Source: Deutsche Bank, Soufun

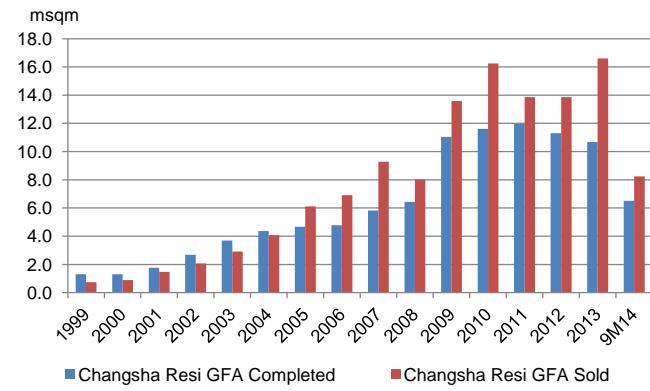


Figure 322: Xiamen – Residential GFA completed vs. sold



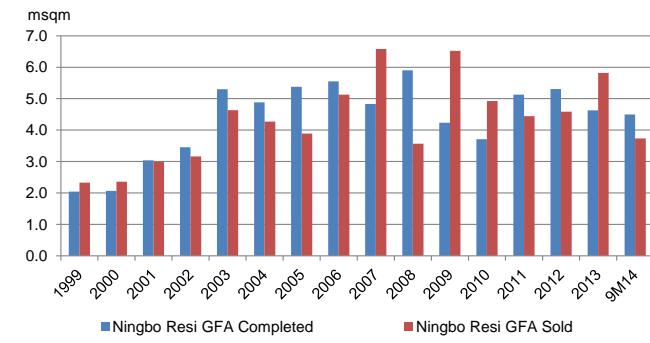
Source: Deutsche Bank, Soufun

Figure 324: Changsha – Residential GFA completed vs. sold



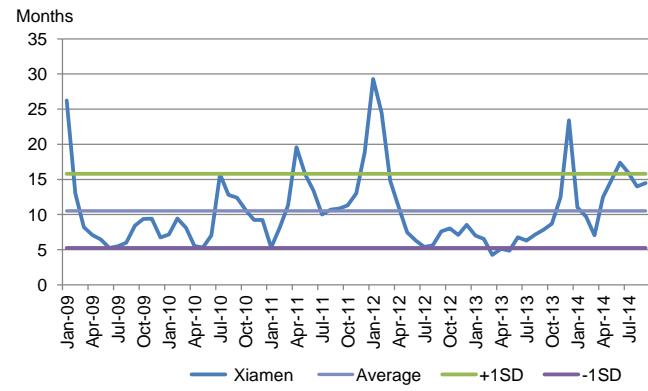
Source: Deutsche Bank, Soufun

Figure 326: Ningbo – Residential GFA completed vs. sold



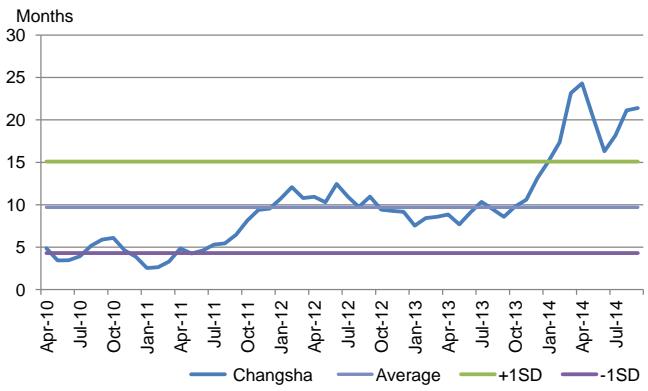
Source: Deutsche Bank, Soufun

Figure 323: Xiamen – No. of months to clear available-for-sale inventories



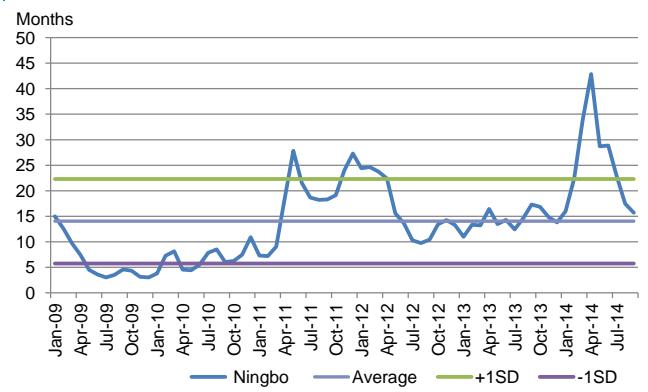
Source: Deutsche Bank, Soufun

Figure 325: Changsha – No. of months to clear available-for-sale inventories



Source: Deutsche Bank, Soufun

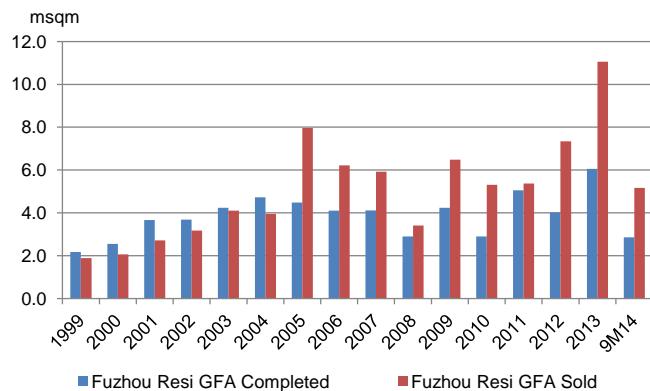
Figure 327: Ningbo – No. of months to clear available-for-sale inventories



Source: Deutsche Bank, Soufun

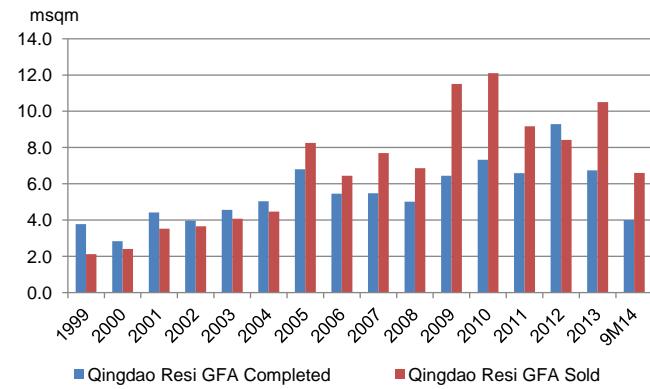


Figure 328: Fuzhou – Residential GFA completed vs. sold



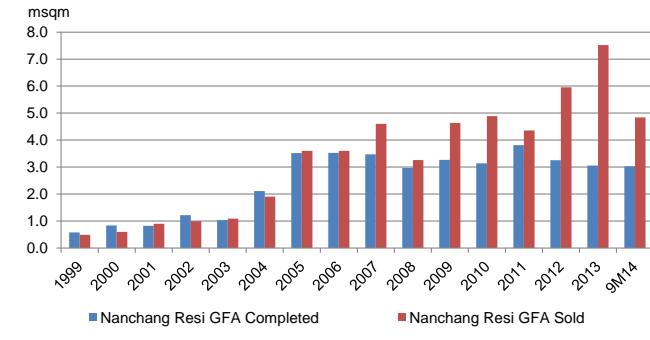
Source: Deutsche Bank, Soufun

Figure 330: Qingdao – Residential GFA completed vs. sold



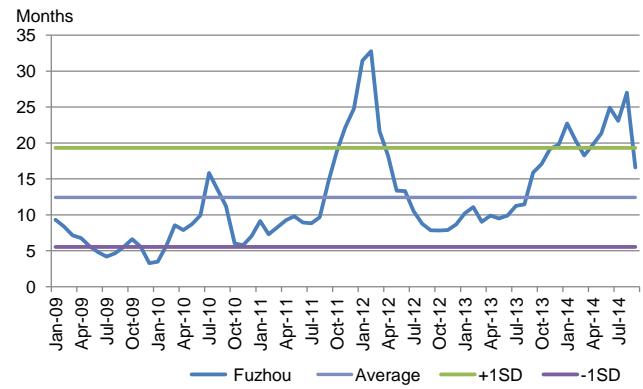
Source: Deutsche Bank, Soufun

Figure 332: Nanchang – Residential GFA completed vs. sold



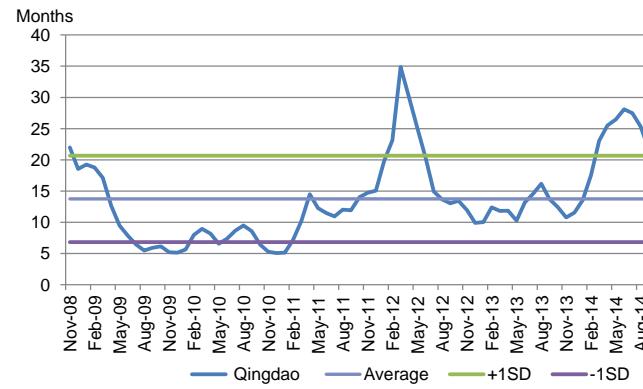
Source: Deutsche Bank, Soufun

Figure 329: Fuzhou – No. of months to clear available-for-sale inventories



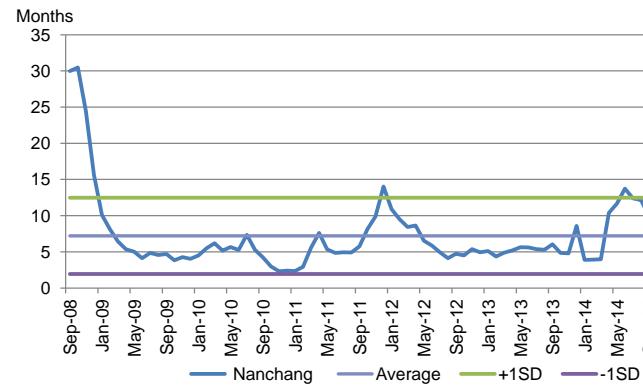
Source: Deutsche Bank, Soufun

Figure 331: Qingdao – No. of months to clear available-for-sale inventories



Source: Deutsche Bank, Soufun

Figure 333: Nanchang – No. of months to clear available-for-sale inventories



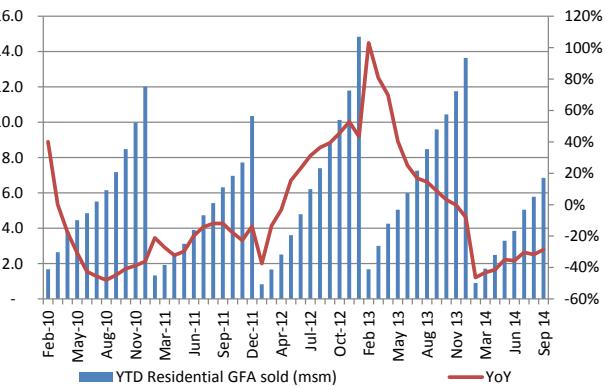
Source: Deutsche Bank, Soufun



# Local residential market

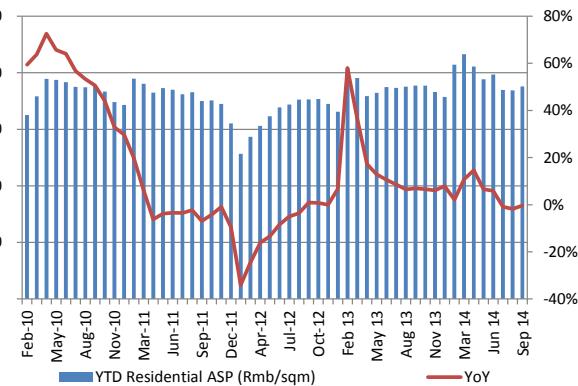
## GFA sold, started, completed and ASP of individual cities

Figure 334: Beijing – Residential GFA sold (msqm)



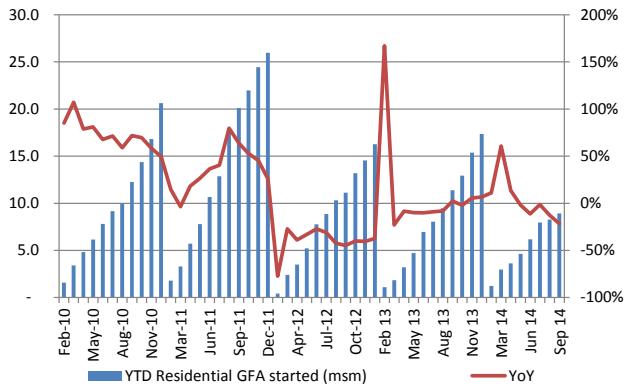
Source: Deutsche Bank, Soufun

Figure 335: Beijing – Residential ASP (Rmb/sqm)



Source: Deutsche Bank, Soufun

Figure 336: Beijing – Residential GFA started (msqm)



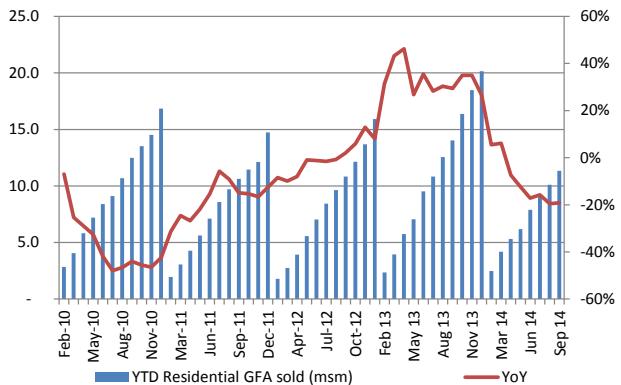
Source: Deutsche Bank, Soufun

Figure 337: Beijing – Residential GFA completed (msqm)



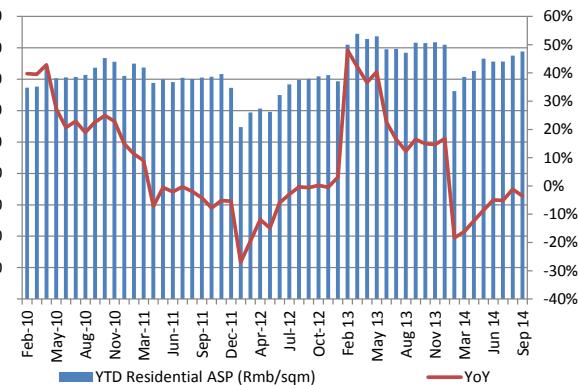
Source: Deutsche Bank, Soufun

Figure 338: Shanghai – Residential GFA sold (msqm)



Source: Deutsche Bank, Soufun

Figure 339: Shanghai – Residential ASP (Rmb/sqm)



Source: Deutsche Bank, Soufun



Figure 340: Shanghai – Residential GFA started (msqm)

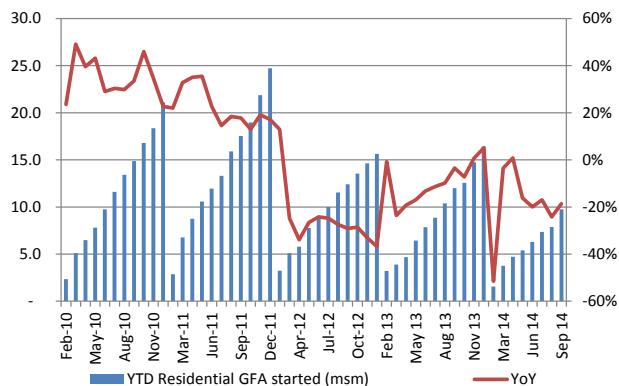


Figure 341: Shanghai – Residential GFA completed (msqm)

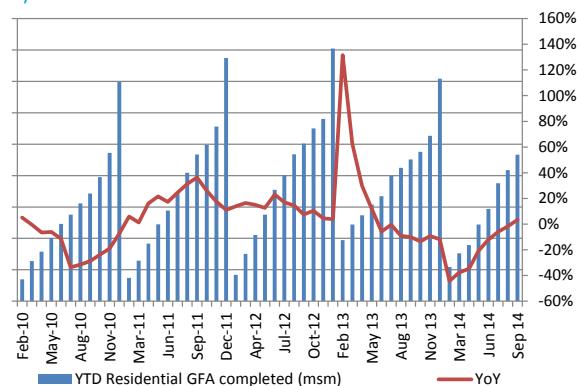


Figure 342: Shenzhen – Residential GFA sold (msqm)

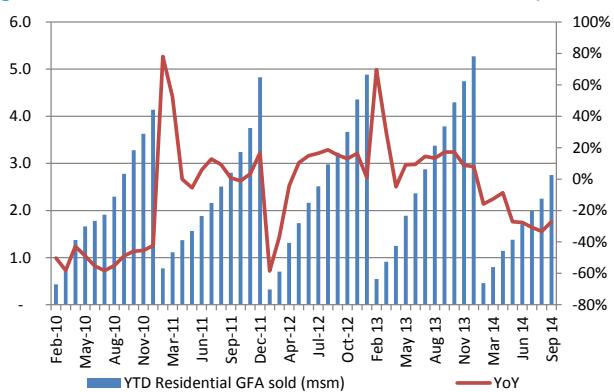


Figure 343: Shenzhen – Residential ASP (Rmb/sqm)

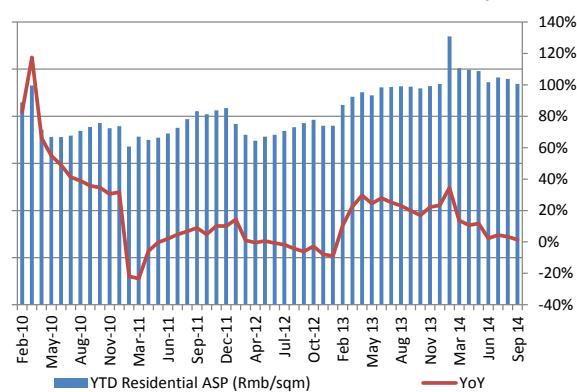


Figure 344: Shenzhen – Residential GFA started (msqm)

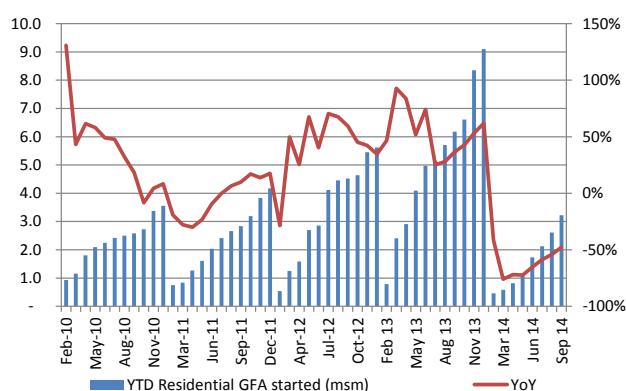


Figure 345: Shenzhen – Residential GFA completed (msqm)

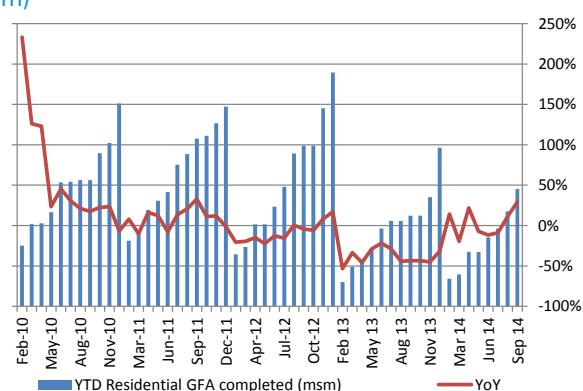
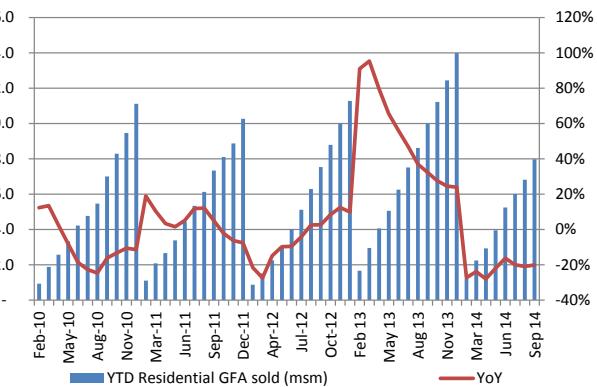


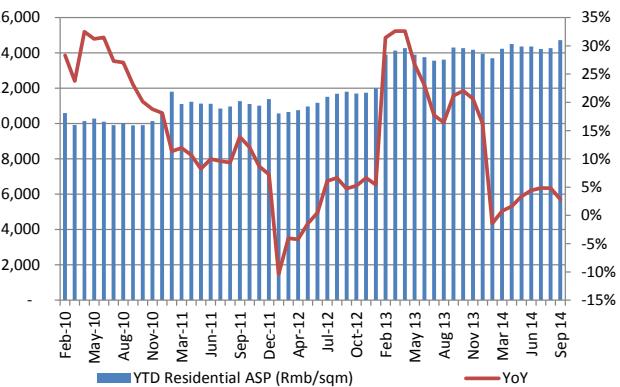


Figure 346: Guangzhou – Residential GFA sold (msqm)



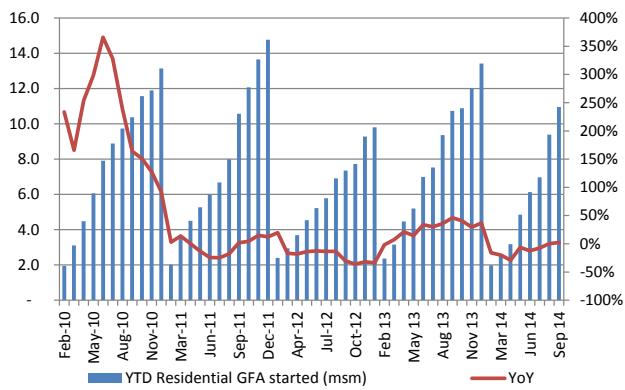
Source: Deutsche Bank, Soufun

Figure 347: Guangzhou – Residential ASP (Rmb/sqm)



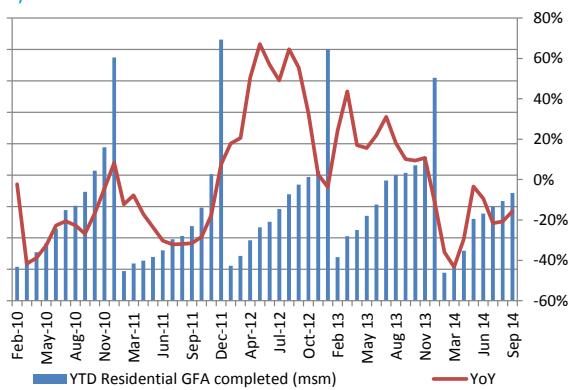
Source: Deutsche Bank, Soufun

Figure 348: Guangzhou – Residential GFA started (msqm)



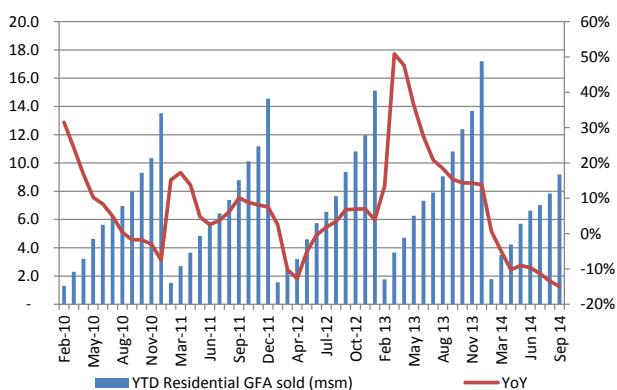
Source: Deutsche Bank, Soufun

Figure 349: Guangzhou – Residential GFA completed (msqm)



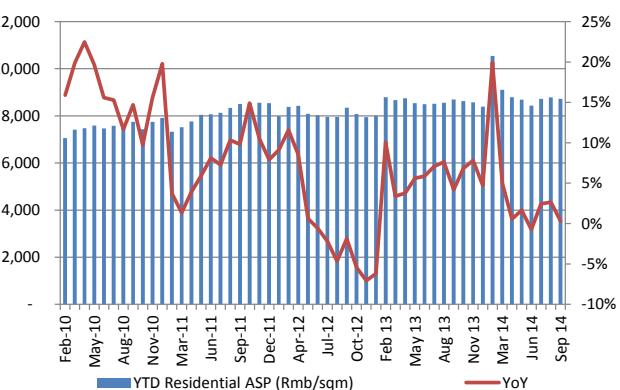
Source: Deutsche Bank, Soufun

Figure 350: Tianjin – Residential GFA sold (msqm)



Source: Deutsche Bank, Soufun

Figure 351: Tianjin – Residential ASP (Rmb/sqm)



Source: Deutsche Bank, Soufun



Figure 352: Tianjin – Residential GFA started (msqm)

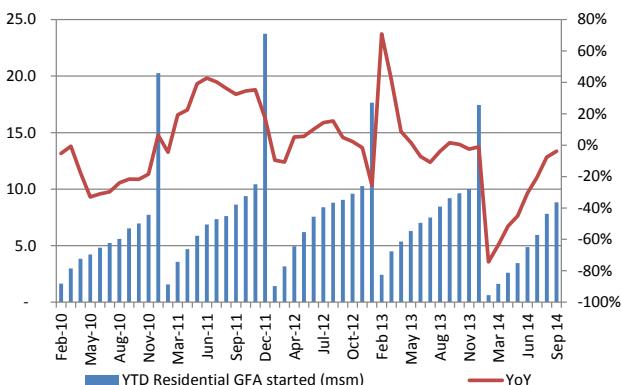


Figure 353: Tianjin – Residential GFA completed (msqm)

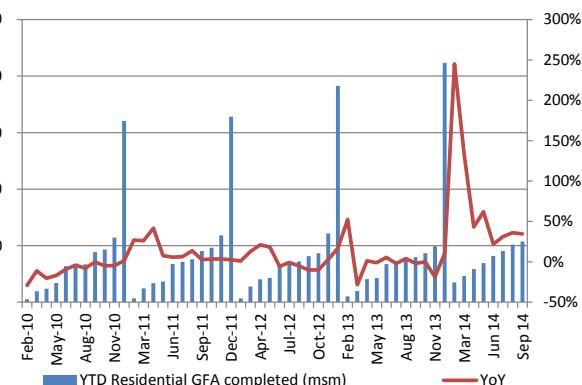


Figure 354: Chongqing – Residential GFA sold (msqm)

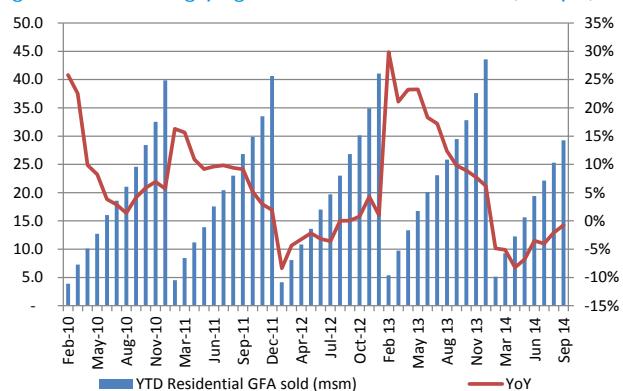


Figure 355: Chongqing – Residential ASP (Rmb/sqm)



Figure 356: Chongqing – Residential GFA started (msqm)

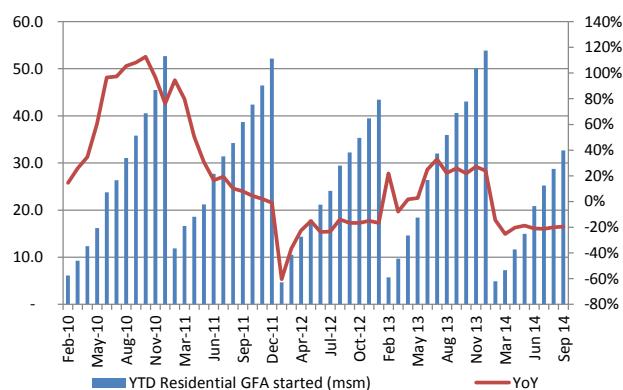


Figure 357: Chongqing – Residential GFA completed (msqm)

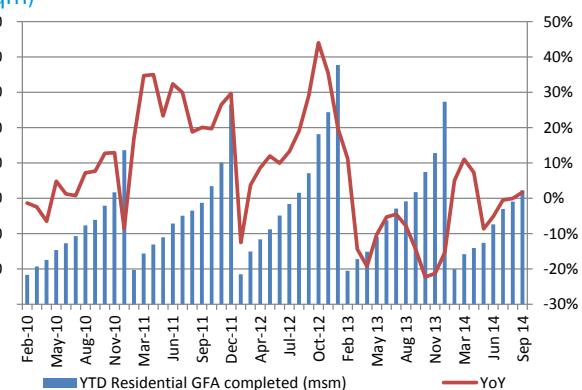




Figure 358: Hangzhou – Residential GFA sold (msqm)

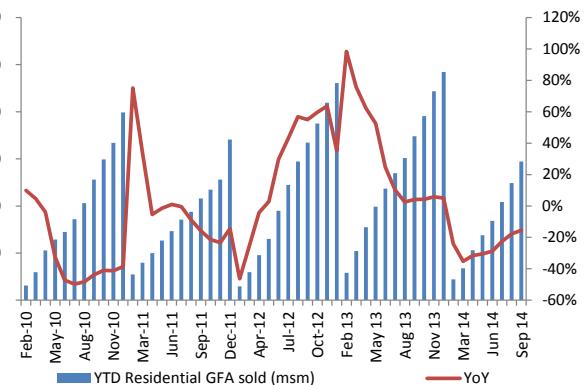


Figure 359: Hangzhou – Residential ASP (Rmb/sqm)

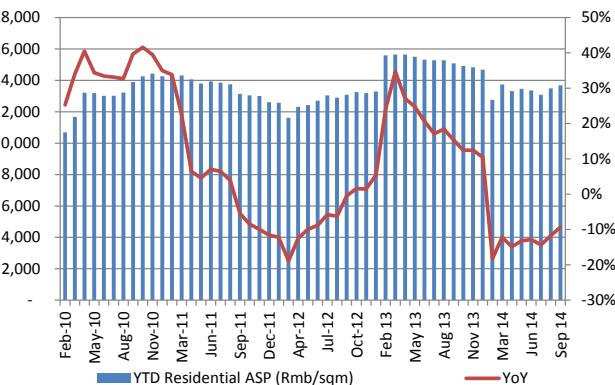


Figure 360: Hangzhou – Residential GFA started (msqm)

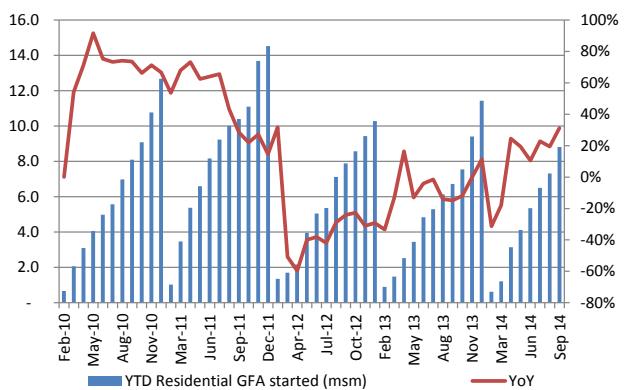


Figure 361: Hangzhou – Residential GFA completed (msqm)

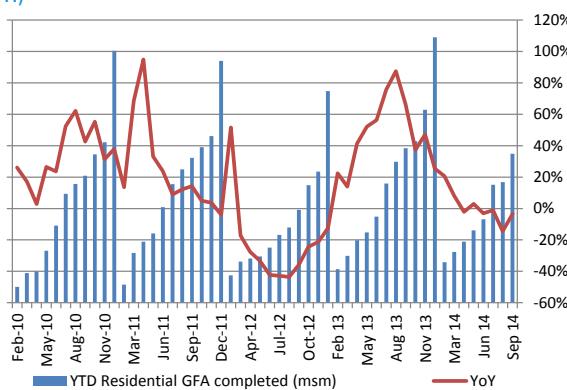


Figure 362: Nanjing – Residential GFA sold (msqm)

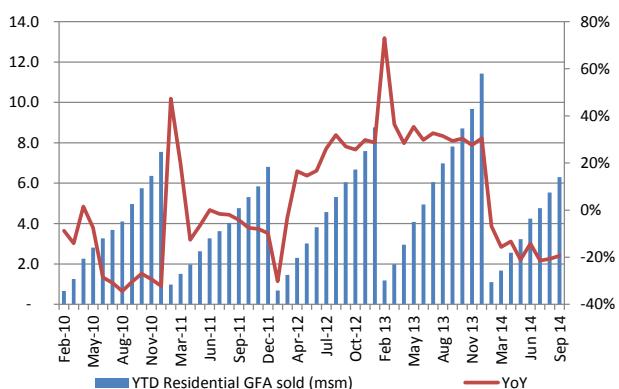


Figure 363: Nanjing – Residential ASP (Rmb/sqm)

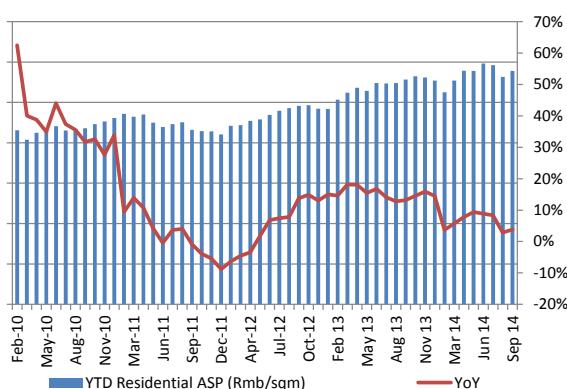
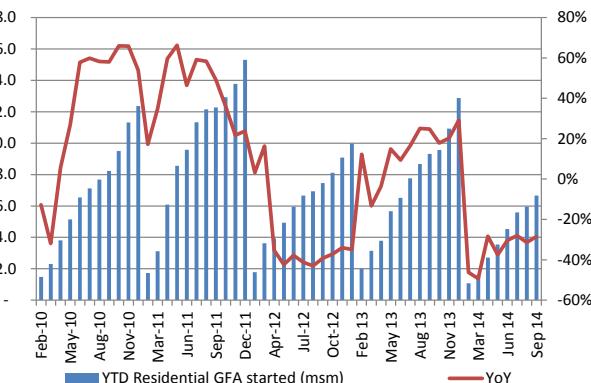


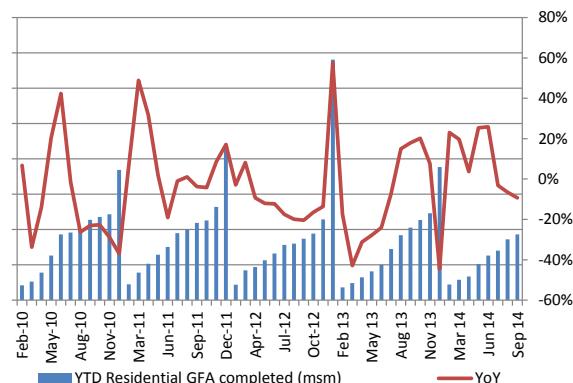


Figure 364: Nanjing – Residential GFA started (msqm)



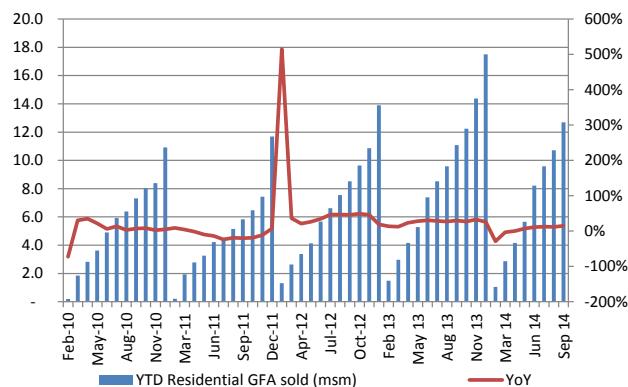
Source: Deutsche Bank, Soufun

Figure 365: Nanjing – Residential GFA completed (msqm)



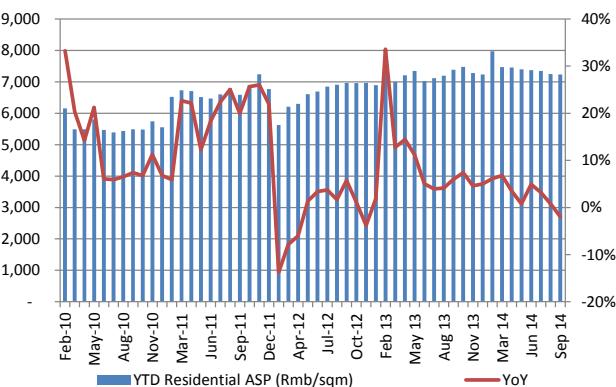
Source: Deutsche Bank, Soufun

Figure 366: Wuhan – Residential GFA sold (msqm)



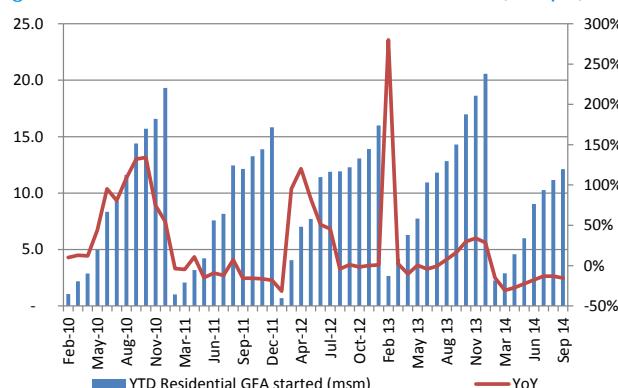
Source: Deutsche Bank, Soufun

Figure 367: Wuhan – Residential ASP (Rmb/sqm)



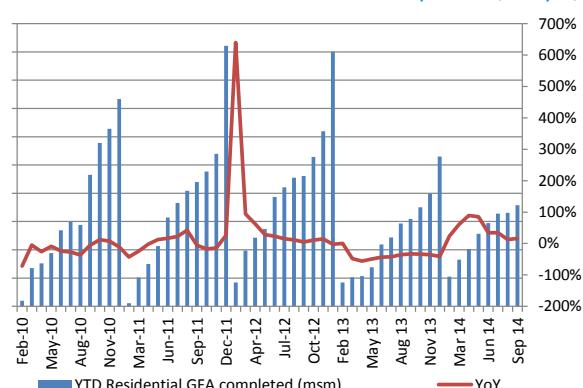
Source: Deutsche Bank, Soufun

Figure 368: Wuhan – Residential GFA started (msqm)



Source: Deutsche Bank, Soufun

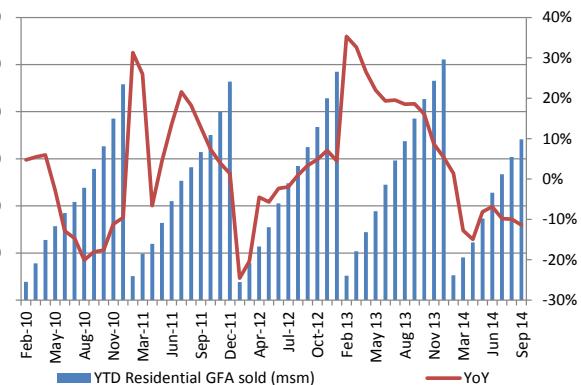
Figure 369: Wuhan – Residential GFA completed (msqm)



Source: Deutsche Bank, Soufun

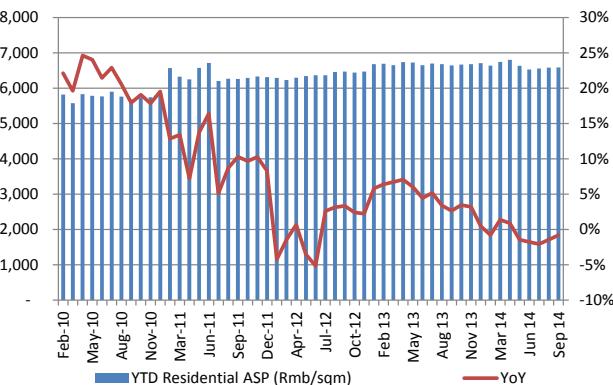


Figure 370: Chengdu – Residential GFA sold (msqm)



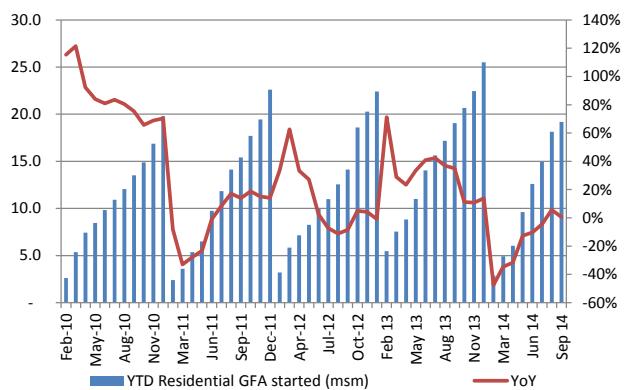
Source: Deutsche Bank, Soufun

Figure 371: Chengdu – Residential ASP (Rmb/sqm)



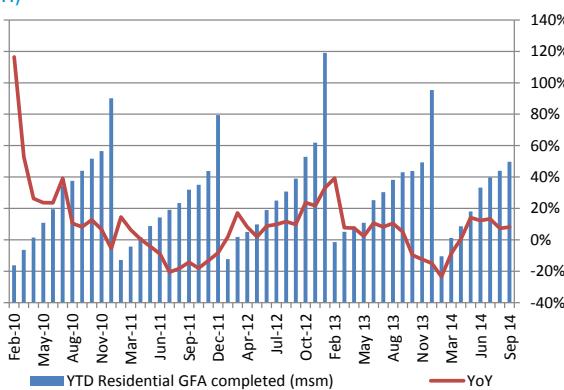
Source: Deutsche Bank, Soufun

Figure 372: Chengdu – Residential GFA started (msqm)



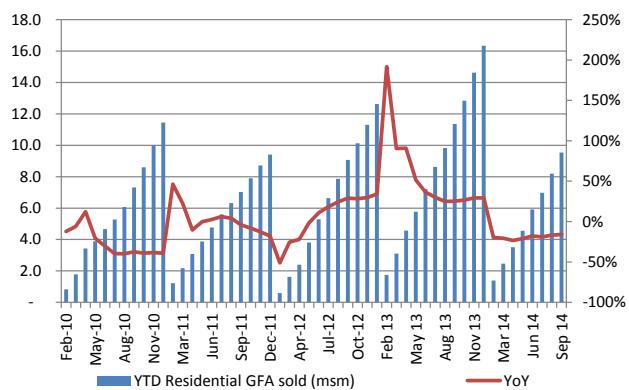
Source: Deutsche Bank, Soufun

Figure 373: Chengdu – Residential GFA completed (msqm)



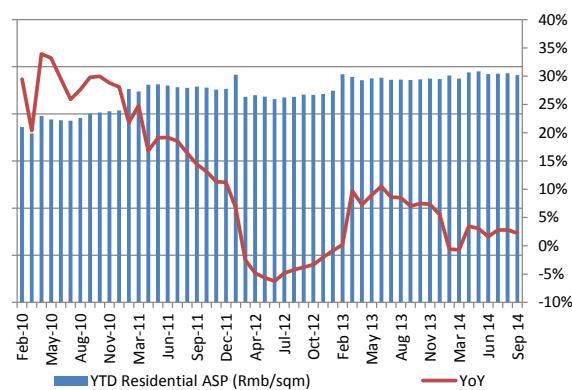
Source: Deutsche Bank, Soufun

Figure 374: Suzhou – Residential GFA sold (msqm)



Source: Deutsche Bank, Soufun

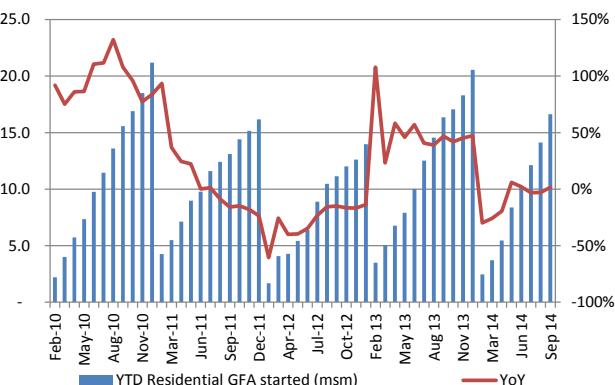
Figure 375: Suzhou – Residential ASP (Rmb/sqm)



Source: Deutsche Bank, Soufun

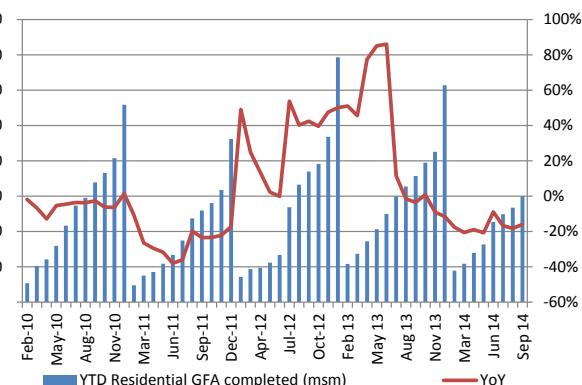


Figure 376: Suzhou – Residential GFA started (msqm)



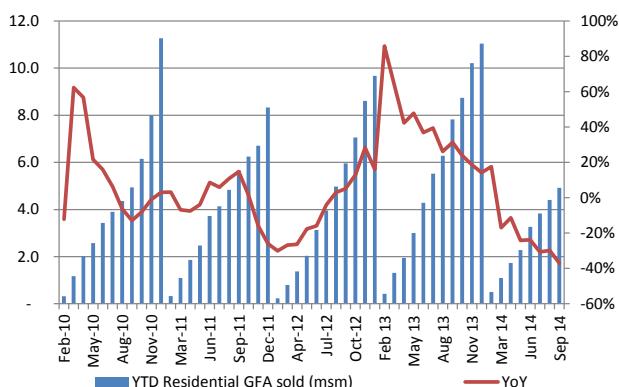
Source: Deutsche Bank, Soufun

Figure 377: Suzhou – Residential GFA completed (msqm)



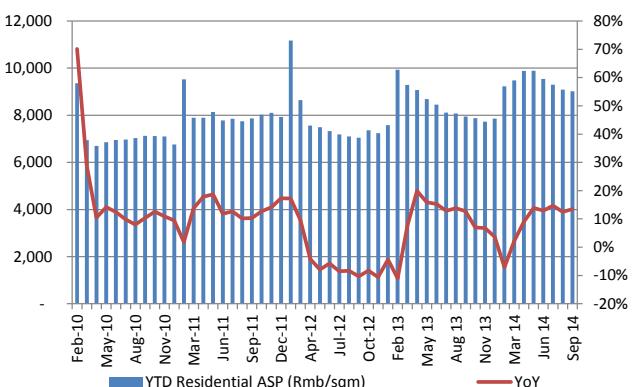
Source: Deutsche Bank, Soufun

Figure 378: Dalian – Residential GFA sold (msqm)



Source: Deutsche Bank, Soufun

Figure 379: Dalian – Residential ASP (Rmb/sqm)



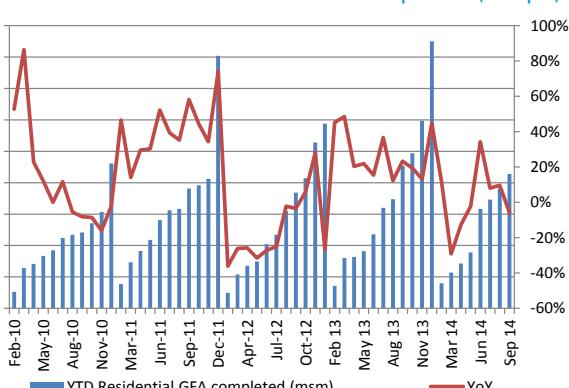
Source: Deutsche Bank, Soufun

Figure 380: Dalian – Residential GFA started (msqm)



Source: Deutsche Bank, Soufun

Figure 381: Dalian – Residential GFA completed (msqm)



Source: Deutsche Bank, Soufun



Figure 382: Xiamen – Residential GFA sold (msqm)

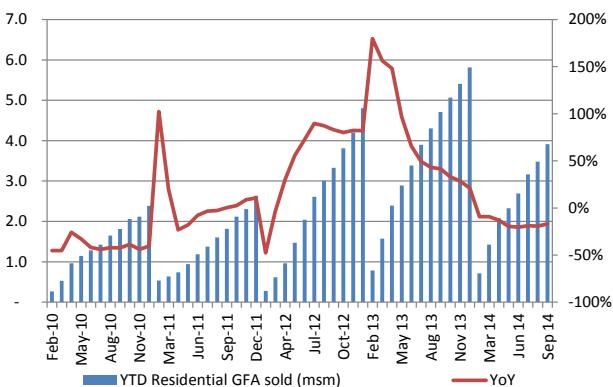


Figure 383: Xiamen – Residential ASP (Rmb/sqm)

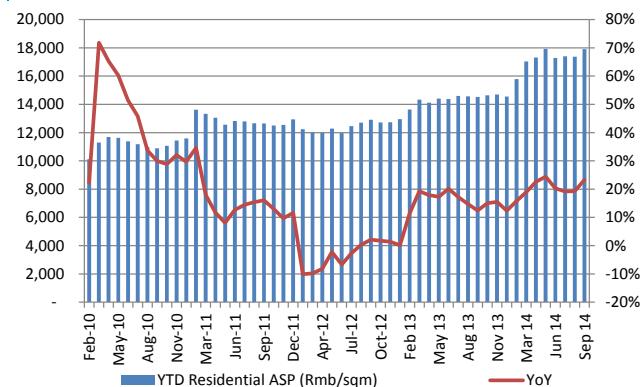


Figure 384: Xiamen – Residential GFA started (msqm)

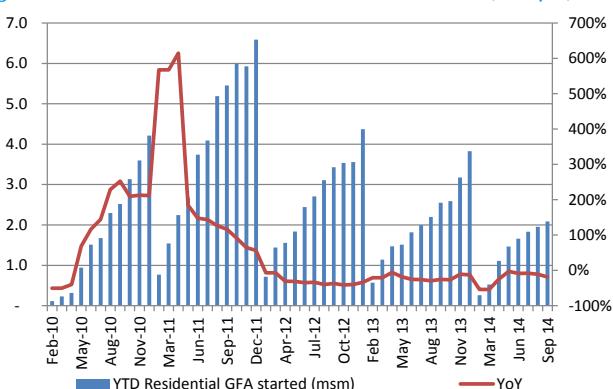


Figure 385: Xiamen – Residential GFA completed (msqm)

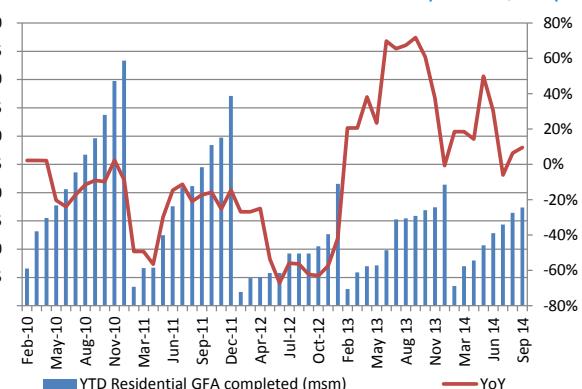


Figure 386: Xi'an – Residential GFA sold (msqm)

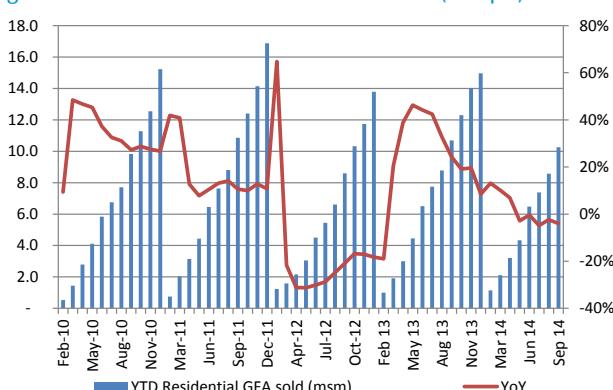


Figure 387: Xi'an – Residential ASP (Rmb/sqm)

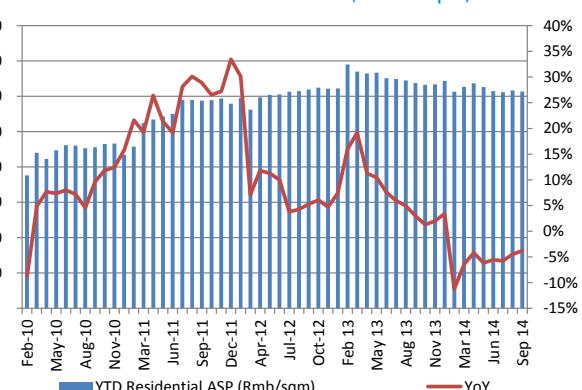




Figure 388: Xi'an – Residential GFA started (msqm)

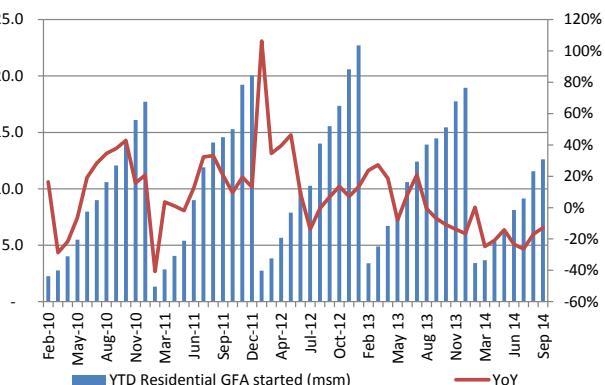


Figure 389: Xi'an – Residential GFA completed (msqm)

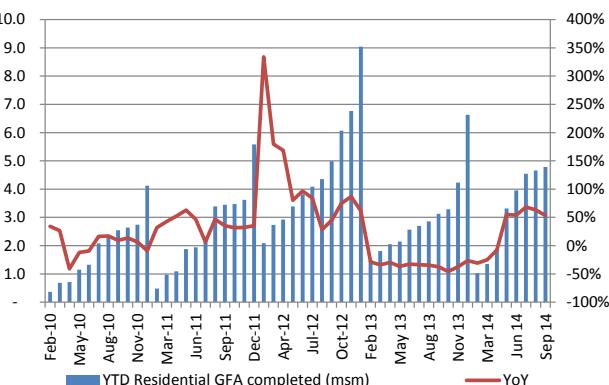


Figure 390: Changsha – Residential GFA sold (msqm)



Figure 391: Changsha – Residential ASP (Rmb/sqm)

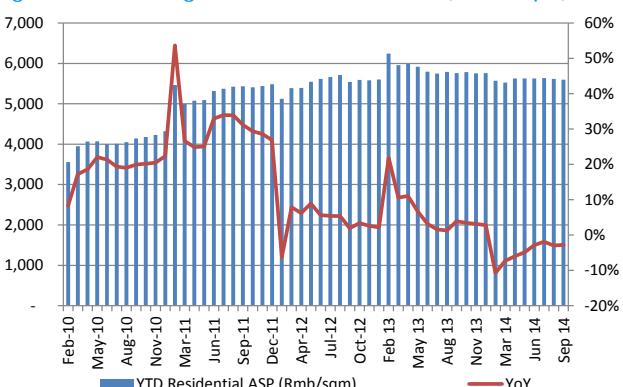


Figure 392: Changsha – Residential GFA started (msqm)

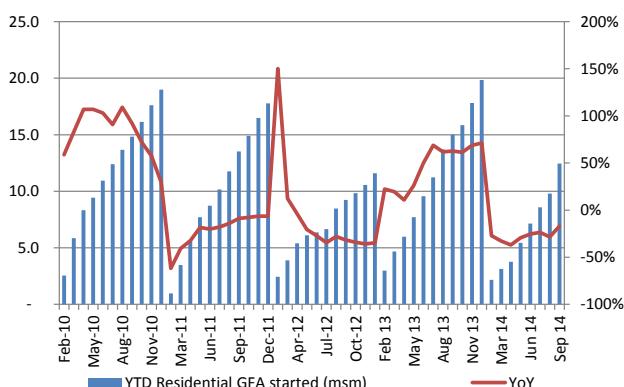


Figure 393: Changsha – Residential GFA completed (msqm)

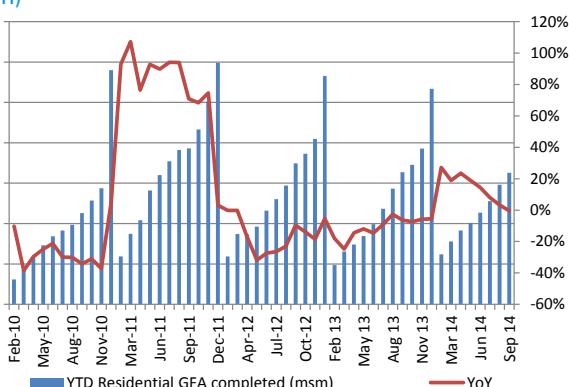




Figure 394: Ningbo – Residential GFA sold (msqm)

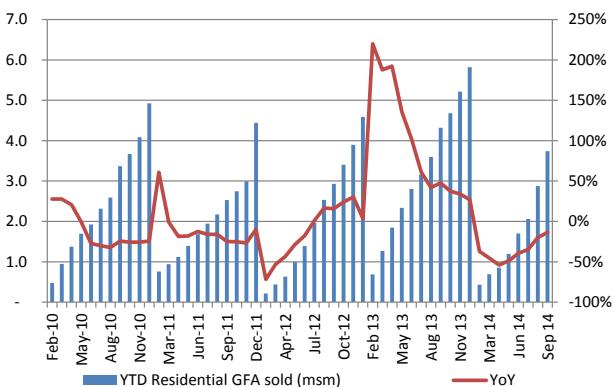


Figure 395: Ningbo – Residential ASP (Rmb/sqm)



Figure 396: Ningbo – Residential GFA started (msqm)

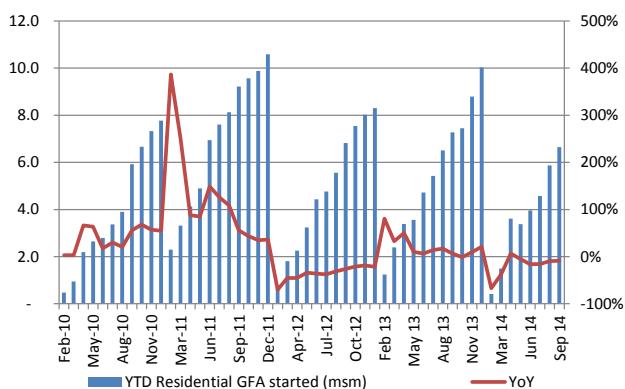


Figure 397: Ningbo – Residential GFA completed (msqm)

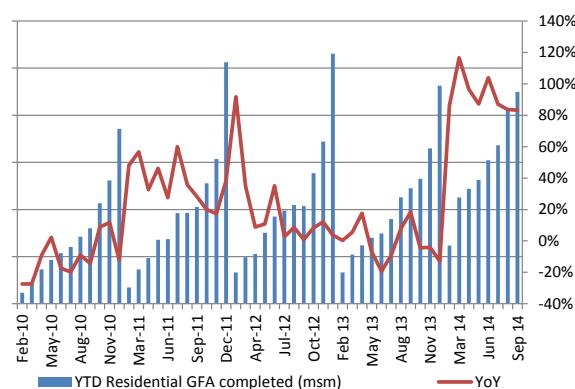


Figure 398: Wuxi – Residential GFA sold (msqm)

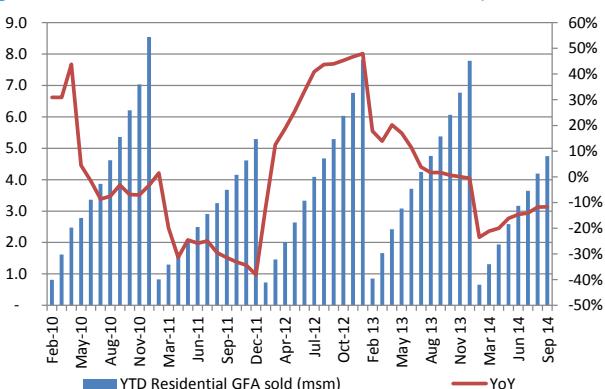


Figure 399: Wuxi – Residential ASP (Rmb/sqm)

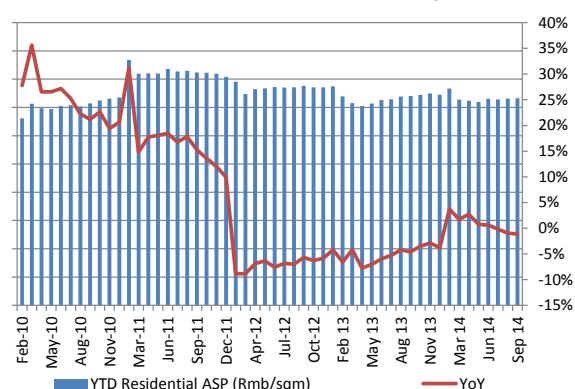
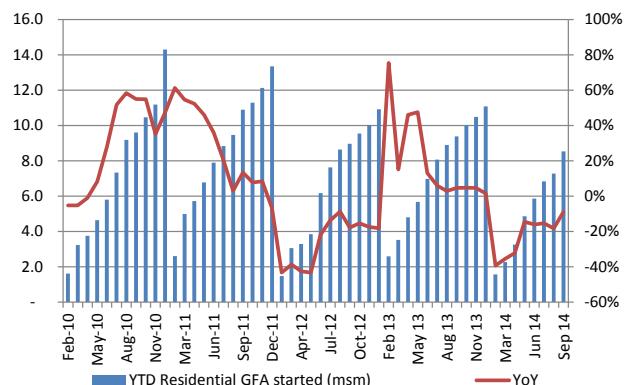




Figure 400: Wuxi – Residential GFA started (msqm)



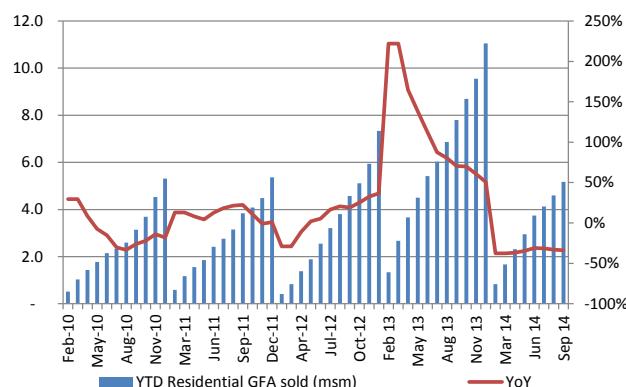
Source: Deutsche Bank, Soufun

Figure 401: Wuxi – Residential GFA completed (msqm)



Source: Deutsche Bank, Soufun

Figure 402: Fuzhou – Residential GFA sold (msqm)



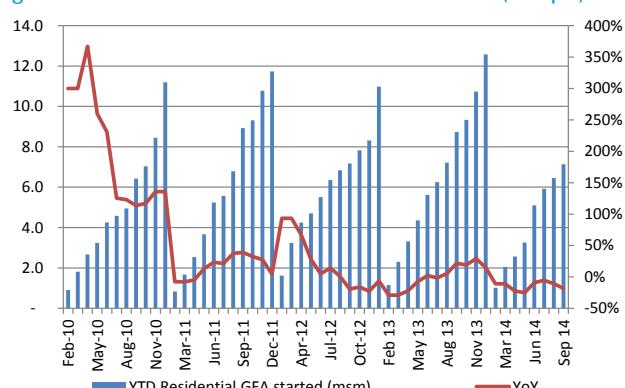
Source: Deutsche Bank, Soufun

Figure 403: Fuzhou – Residential ASP (Rmb/sqm)



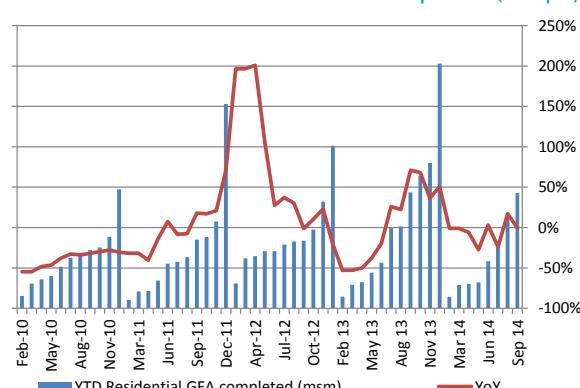
Source: Deutsche Bank, Soufun

Figure 404: Fuzhou – Residential GFA started (msqm)



Source: Deutsche Bank, Soufun

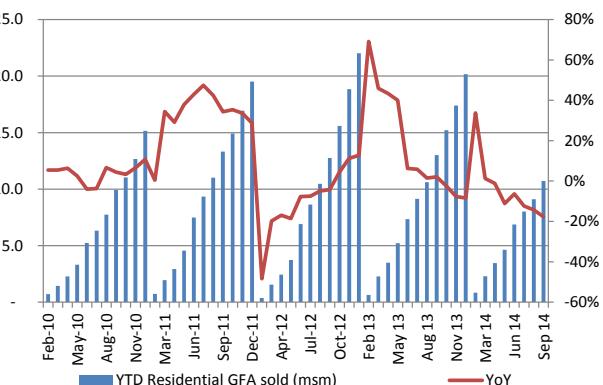
Figure 405: Fuzhou – Residential GFA completed (msqm)



Source: Deutsche Bank, Soufun



Figure 406: Shenyang – Residential GFA sold (msqm)



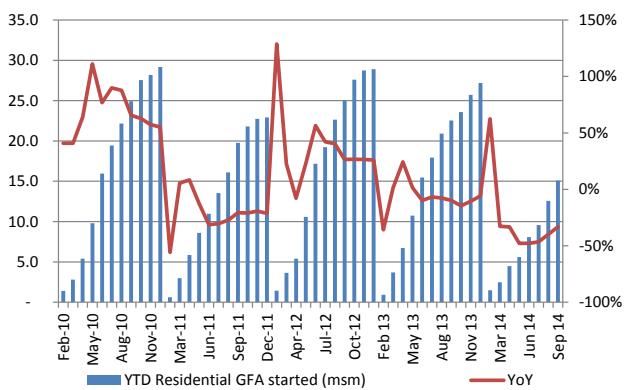
Source: Deutsche Bank, Soufun

Figure 407: Shenyang – Residential ASP (Rmb/sqm)



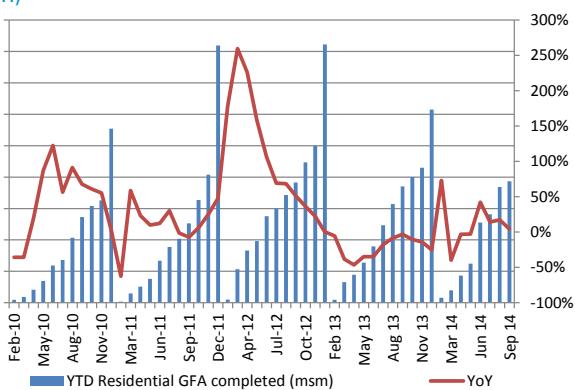
Source: Deutsche Bank, Soufun

Figure 408: Shenyang – Residential GFA started (msqm)



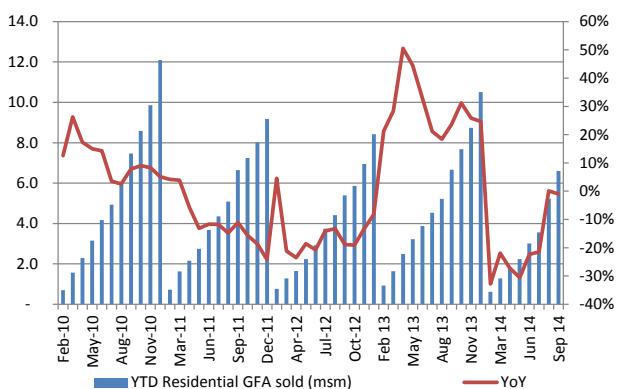
Source: Deutsche Bank, Soufun

Figure 409: Shenyang – Residential GFA completed (msqm)



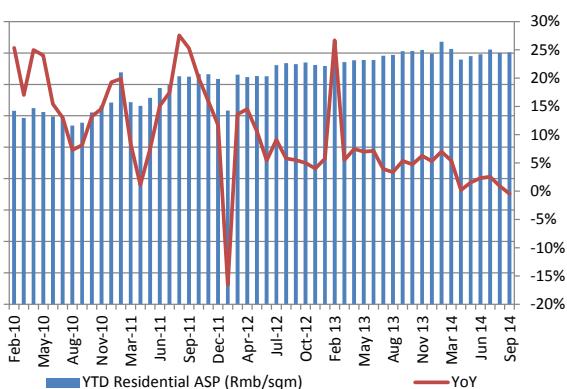
Source: Deutsche Bank, Soufun

Figure 410: Qingdao – Residential GFA sold (msqm)



Source: Deutsche Bank, Soufun

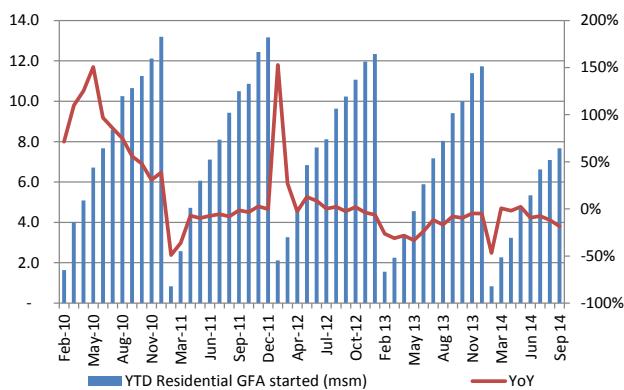
Figure 411: Qingdao – Residential ASP (Rmb/sqm)



Source: Deutsche Bank, Soufun

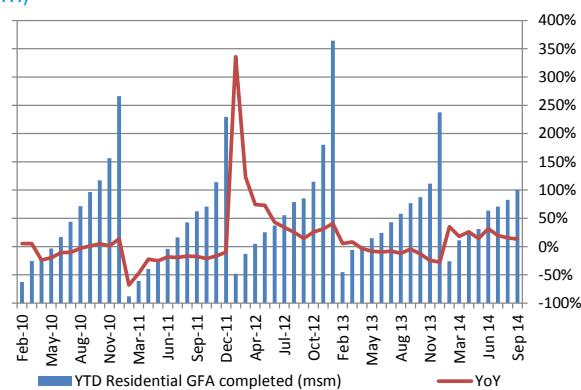


Figure 412: Qingdao – Residential GFA started (msqm)



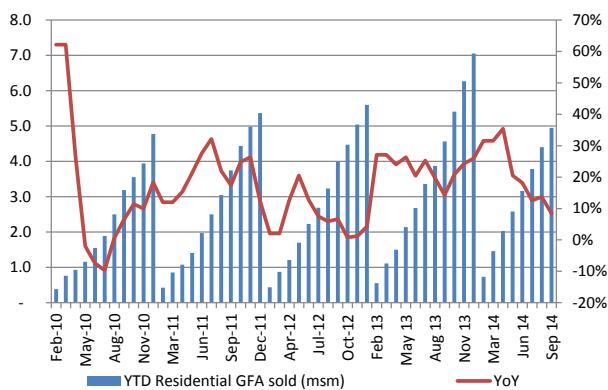
Source: Deutsche Bank, Soufun

Figure 413: Qingdao – Residential GFA completed (msqm)



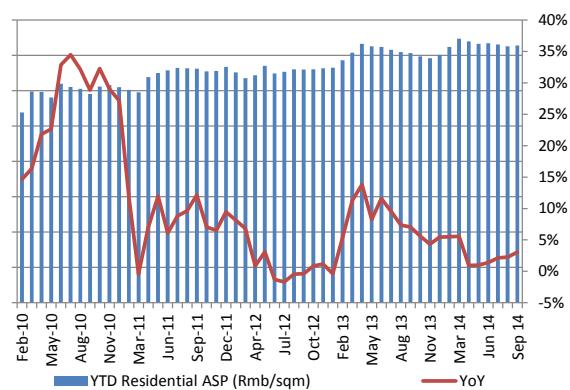
Source: Deutsche Bank, Soufun

Figure 414: Jinan – Residential GFA sold (msqm)



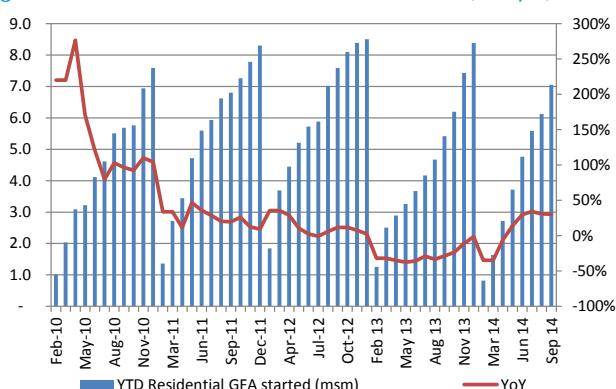
Source: Deutsche Bank, Soufun

Figure 415: Jinan – Residential ASP (Rmb/sqm)



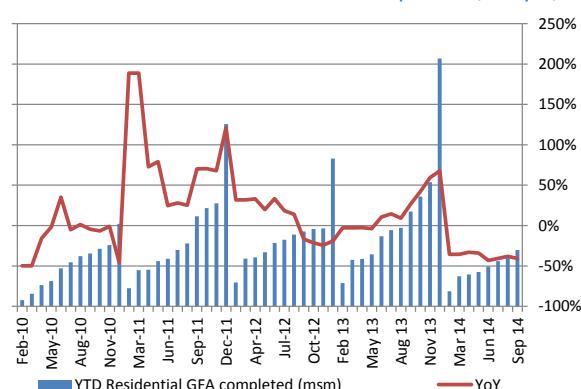
Source: Deutsche Bank, Soufun

Figure 416: Jinan – Residential GFA started (msqm)



Source: Deutsche Bank, Soufun

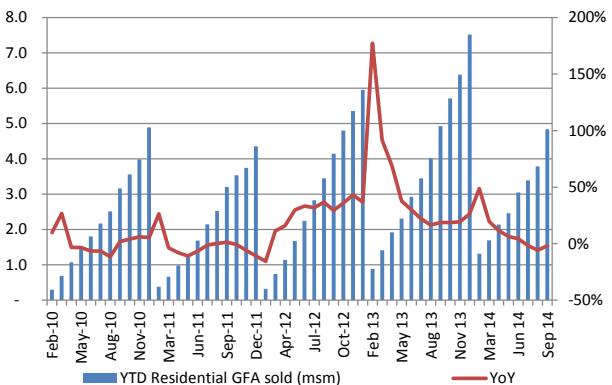
Figure 417: Jinan – Residential GFA completed (msqm)



Source: Deutsche Bank, Soufun

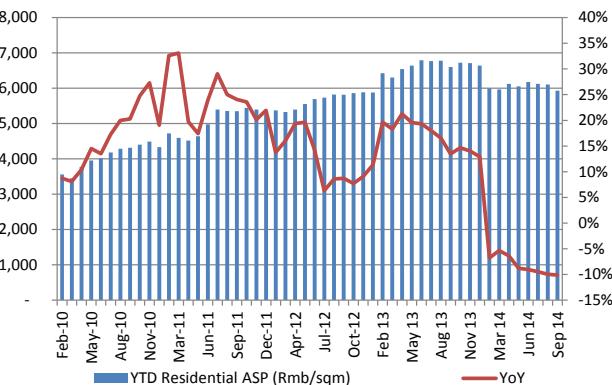


Figure 418: Nanchang – Residential GFA sold (msqm)



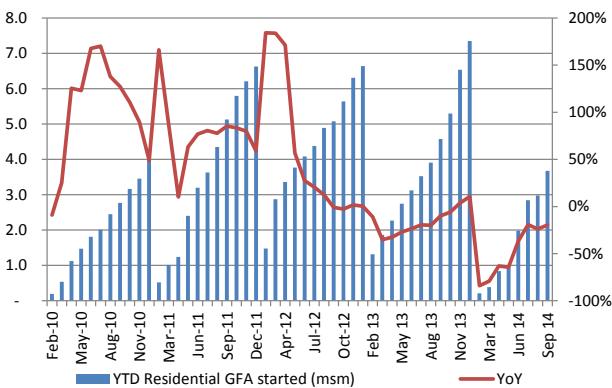
Source: Deutsche Bank, Soufun

Figure 419: Nanchang – Residential ASP (Rmb/sqm)



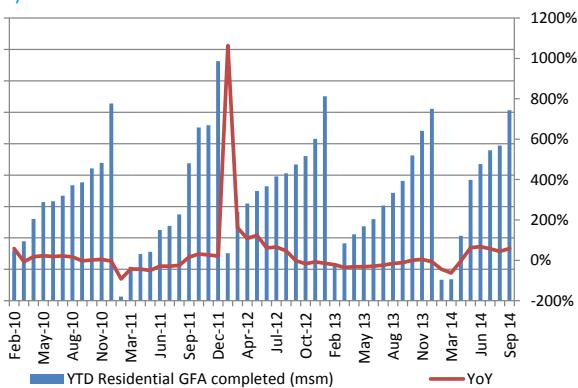
Source: Deutsche Bank, Soufun

Figure 420: Nanchang – Residential GFA started (msqm)



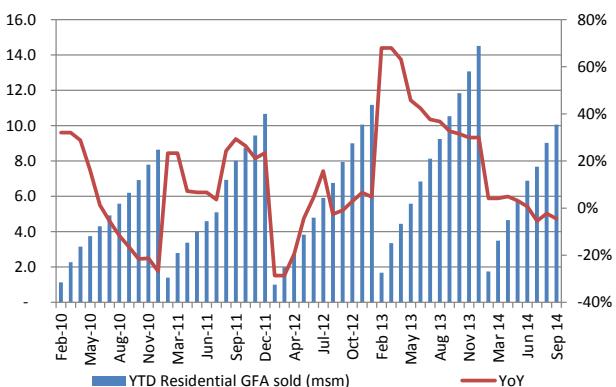
Source: Deutsche Bank, Soufun

Figure 421: Nanchang – Residential GFA completed (msqm)



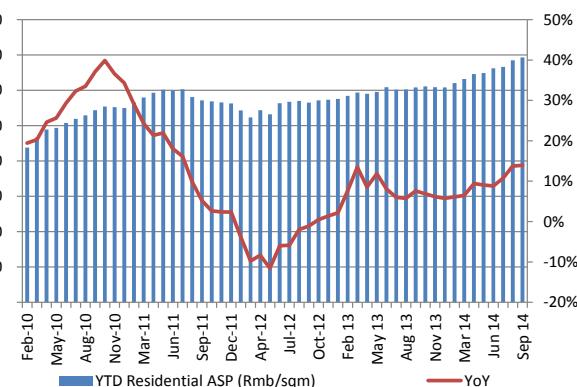
Source: Deutsche Bank, Soufun

Figure 422: Hefei – Residential GFA sold (msqm)



Source: Deutsche Bank, Soufun

Figure 423: Hefei – Residential ASP (Rmb/sqm)



Source: Deutsche Bank, Soufun



Figure 424: Hefei – Residential GFA started (msqm)



Figure 425: Hefei – Residential GFA completed (msqm)

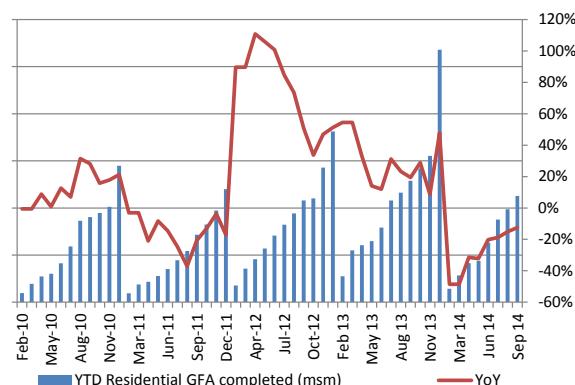


Figure 426: Zhengzhou – Residential GFA sold (msqm)

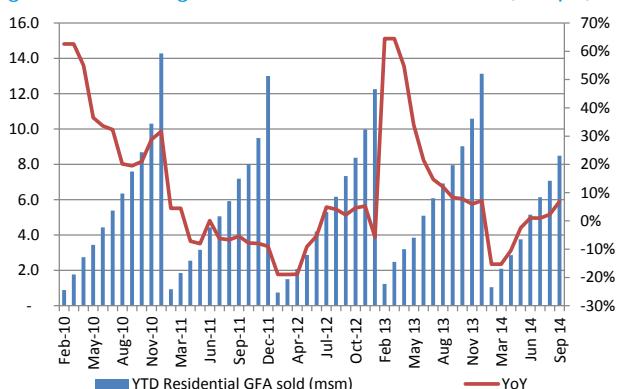


Figure 427: Zhengzhou – Residential ASP (Rmb/sqm)

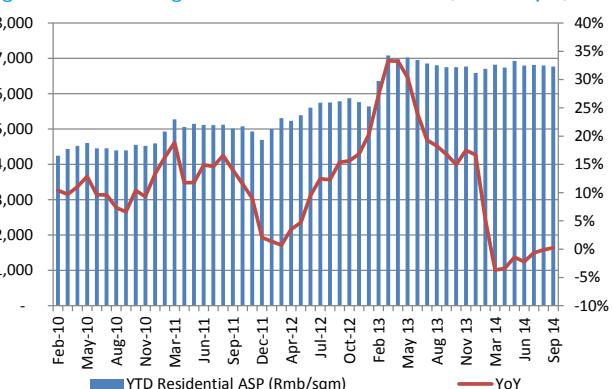


Figure 428: Zhengzhou – Residential GFA started (msqm)

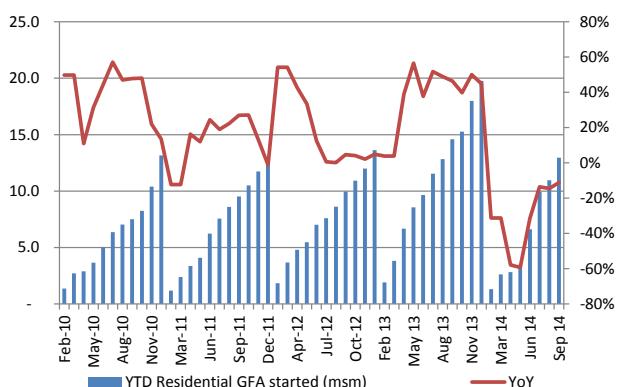
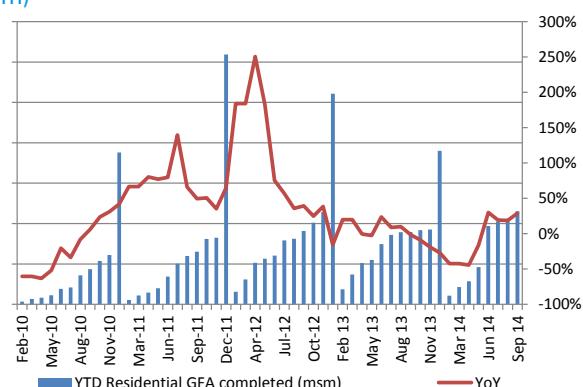


Figure 429: Zhengzhou – Residential GFA completed (msqm)

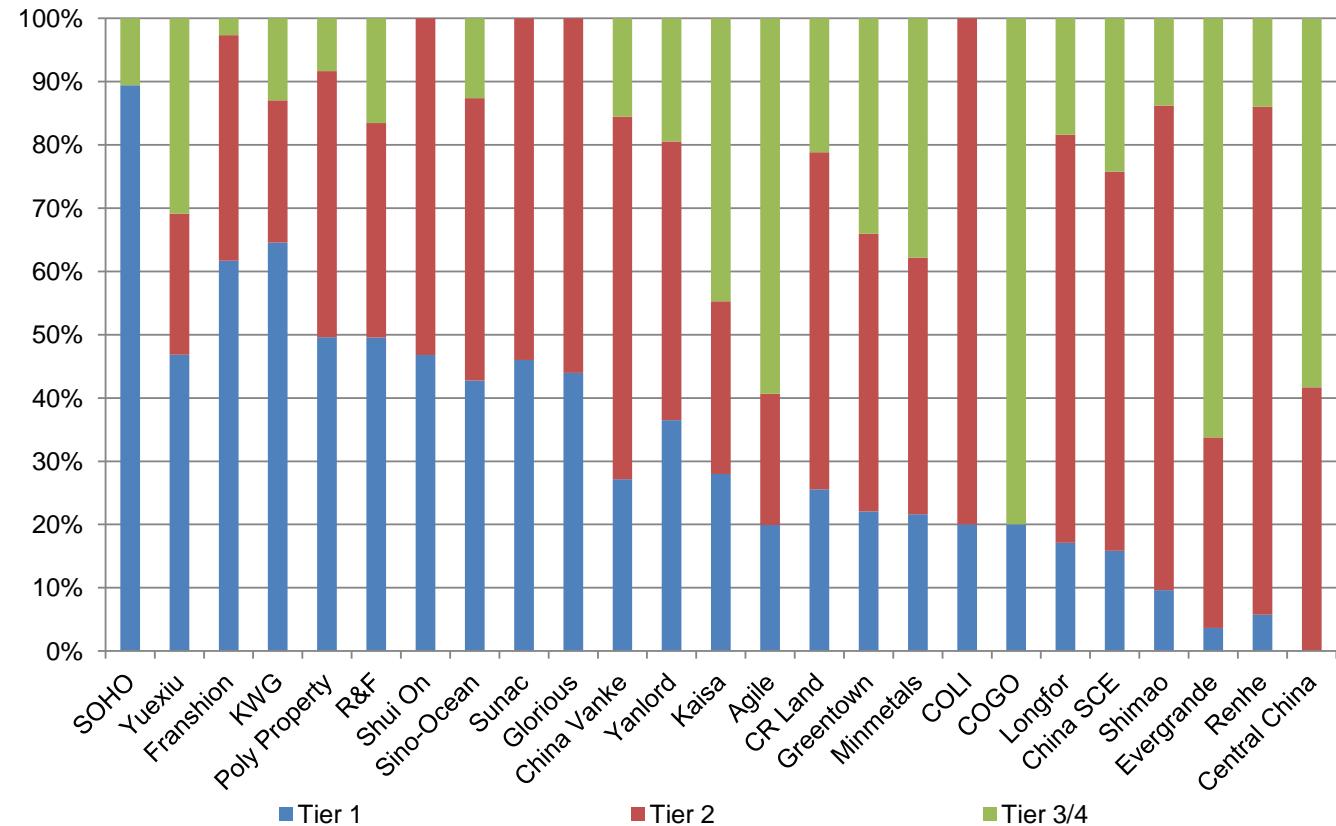




# NAV and land bank breakdown

## NAV and land bank breakdown of individual developers

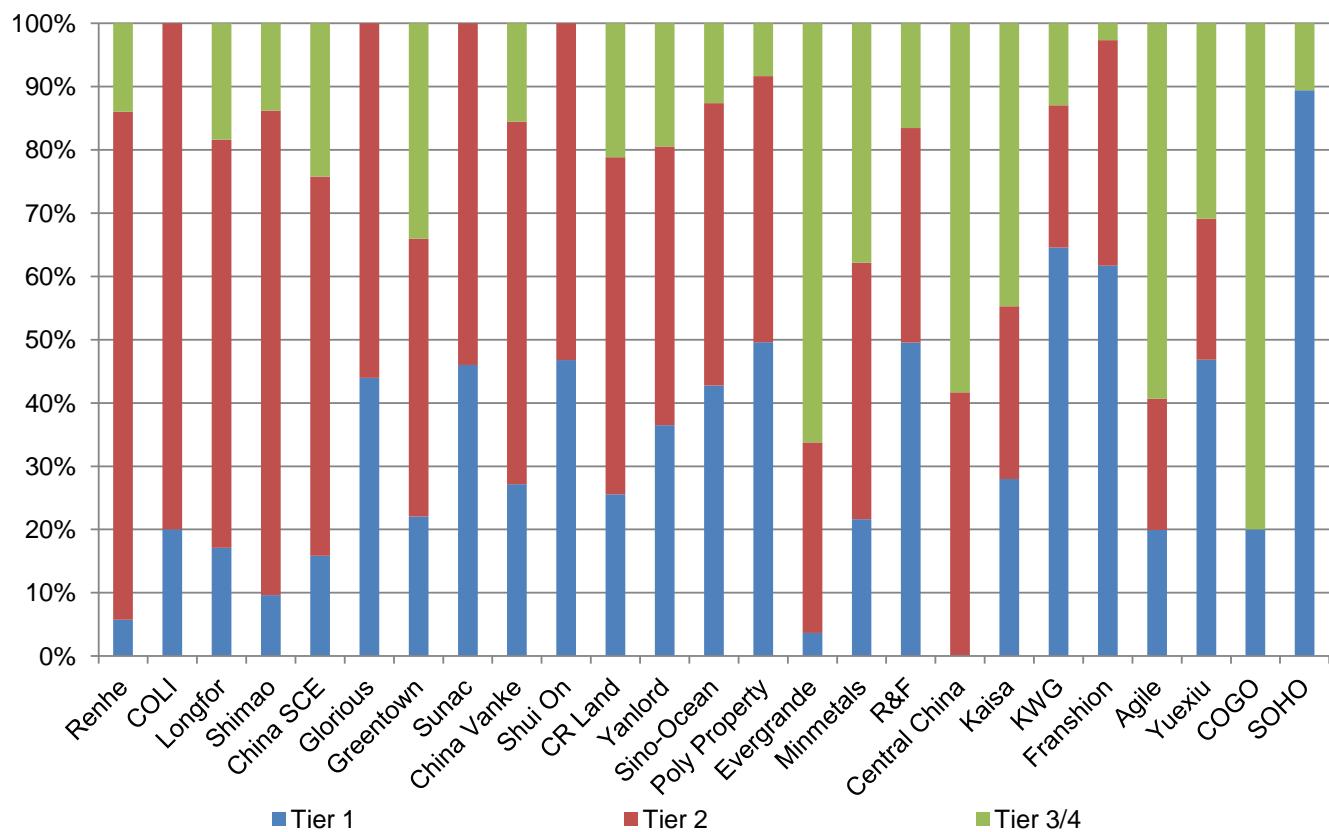
Figure 430: China Prop – Developers NAV breakdown by Citer tiers – Tier-1 cities



Source: Deutsche Bank estimates



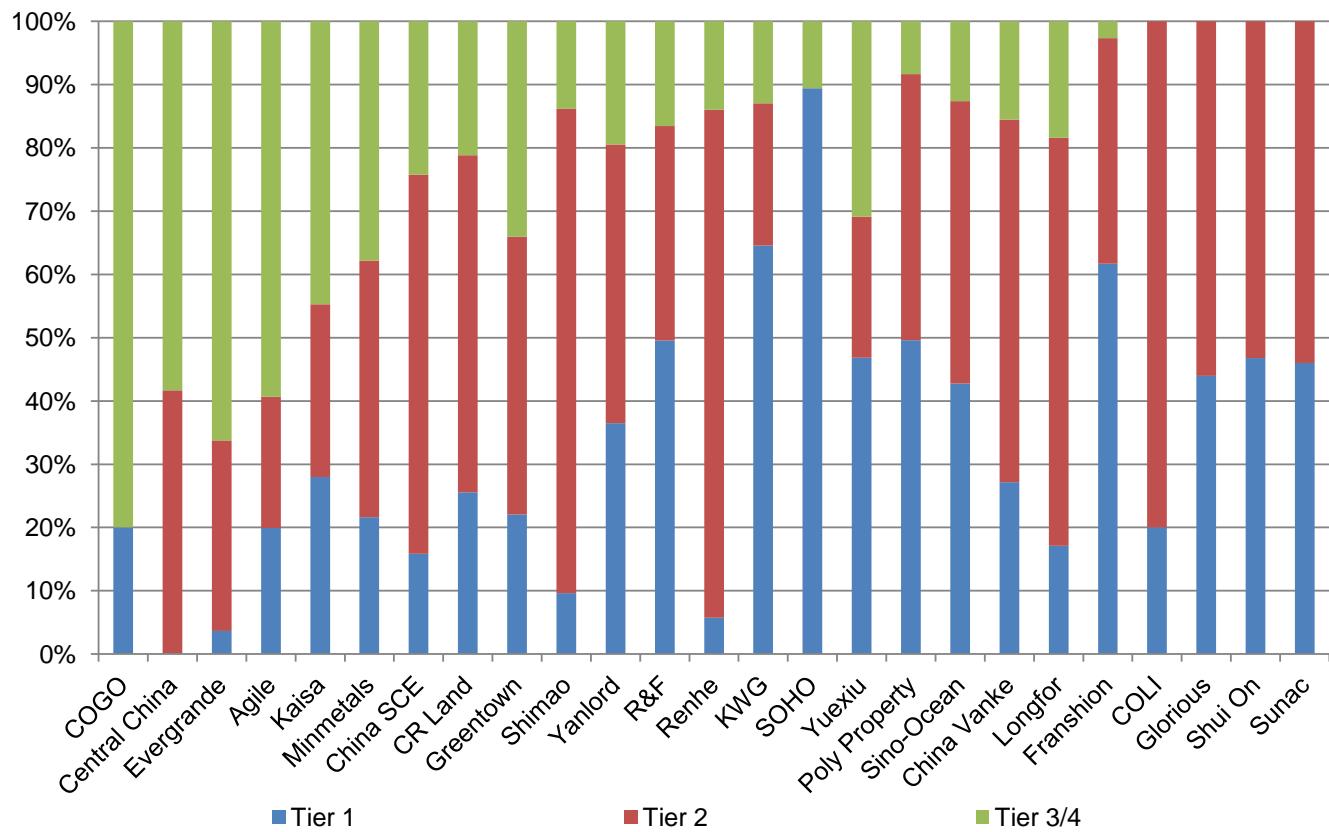
Figure 431: China Prop – Developers NAV breakdown by city tiers – Tier-2 cities



Source: Deutsche Bank estimates



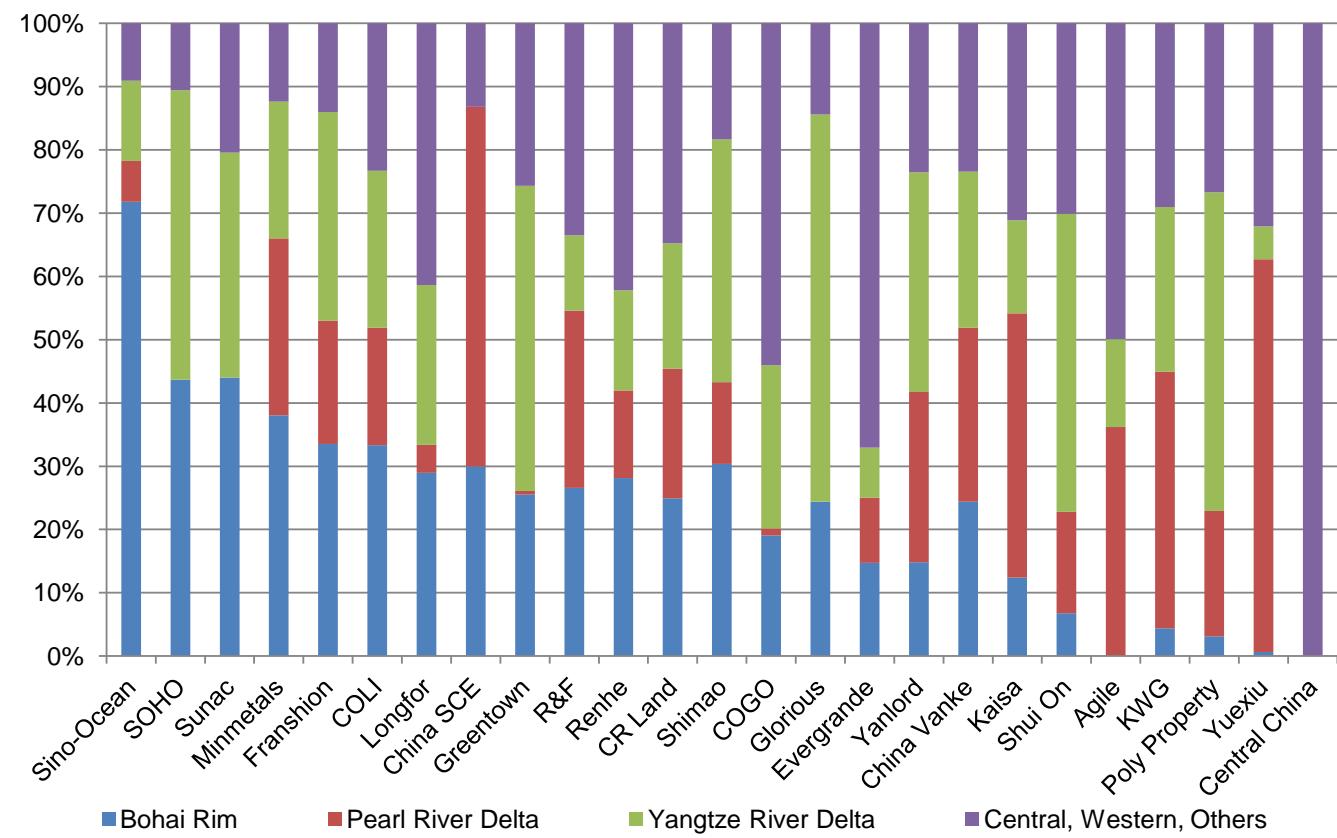
Figure 432: China Prop – Developers NAV breakdown by city tiers – Tier-3/4cities



Source: Deutsche Bank estimates



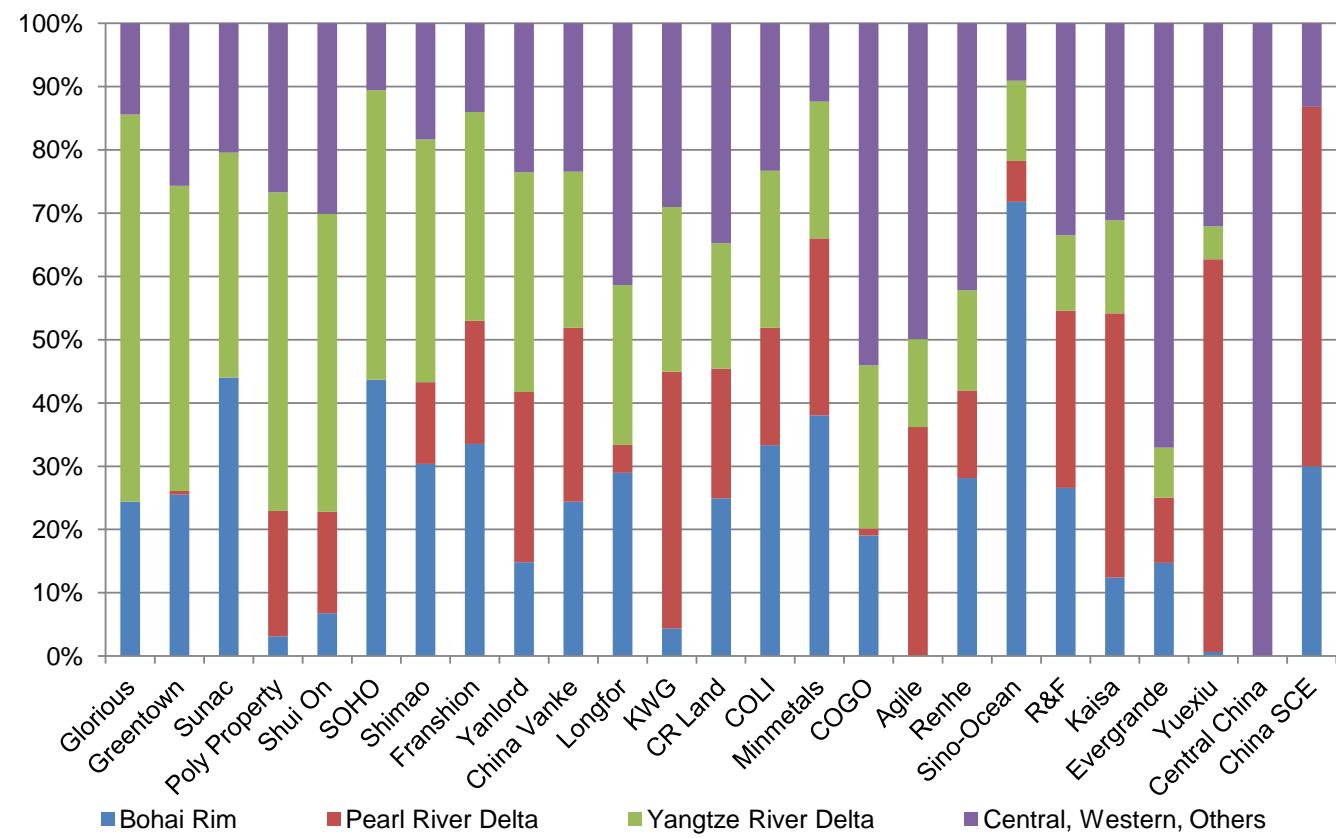
Figure 433: China Prop – Developers NAV breakdown by geographical region – Bohai Rim



Source: Deutsche Bank estimates



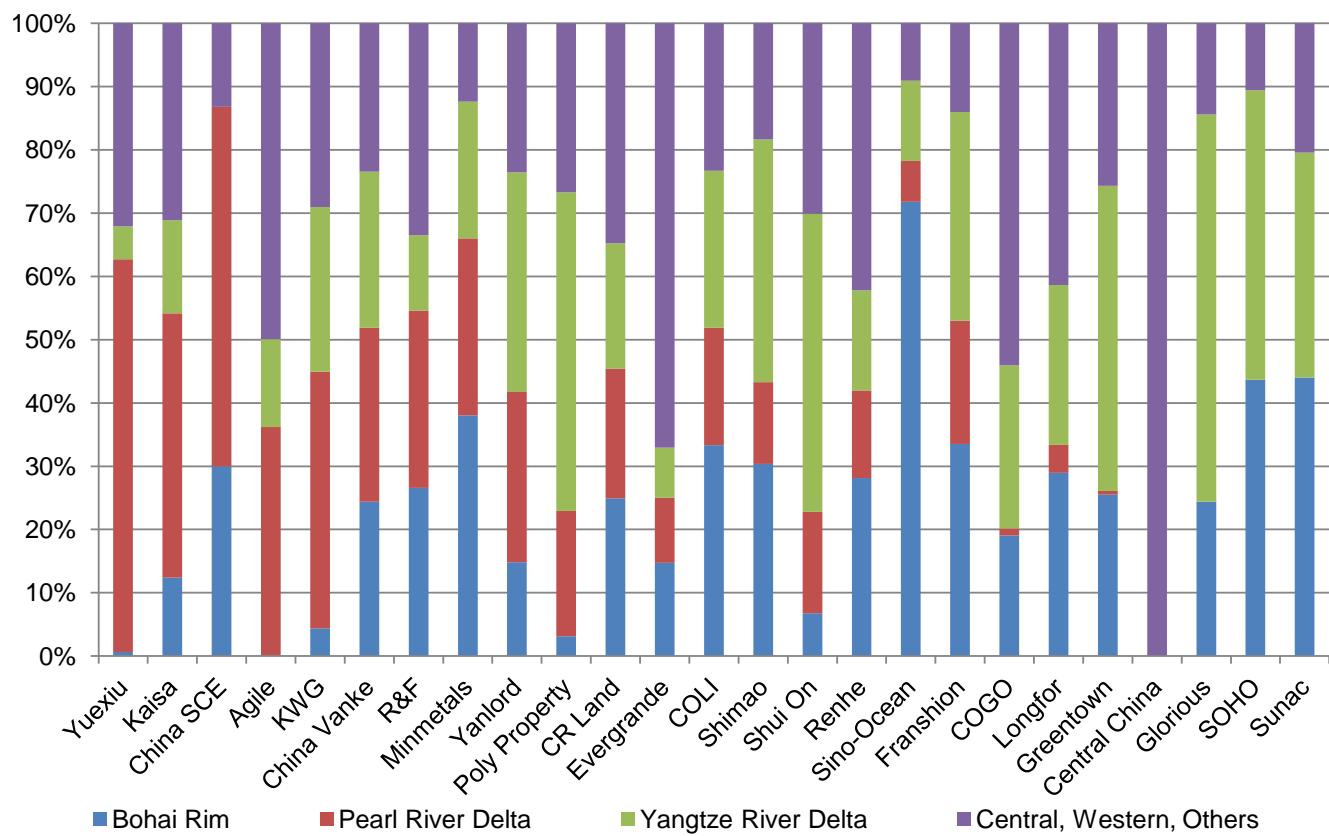
Figure 434: China Prop – Developers NAV breakdown by geographical region – Yangtze River Delta



Source: Deutsche Bank estimates



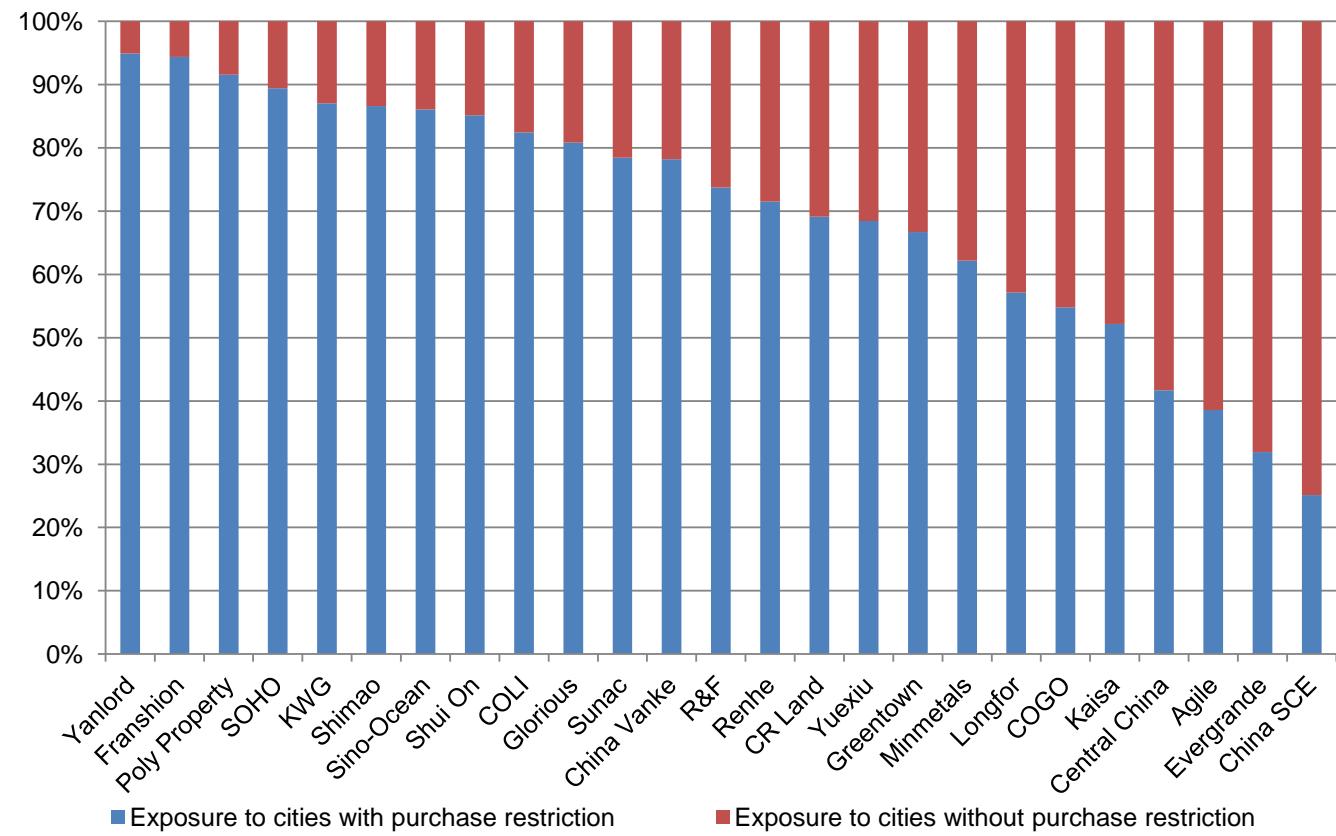
Figure 435: China Prop – Developers NAV breakdown by geographical region – Pearl River Delta



Source: Deutsche Bank estimates



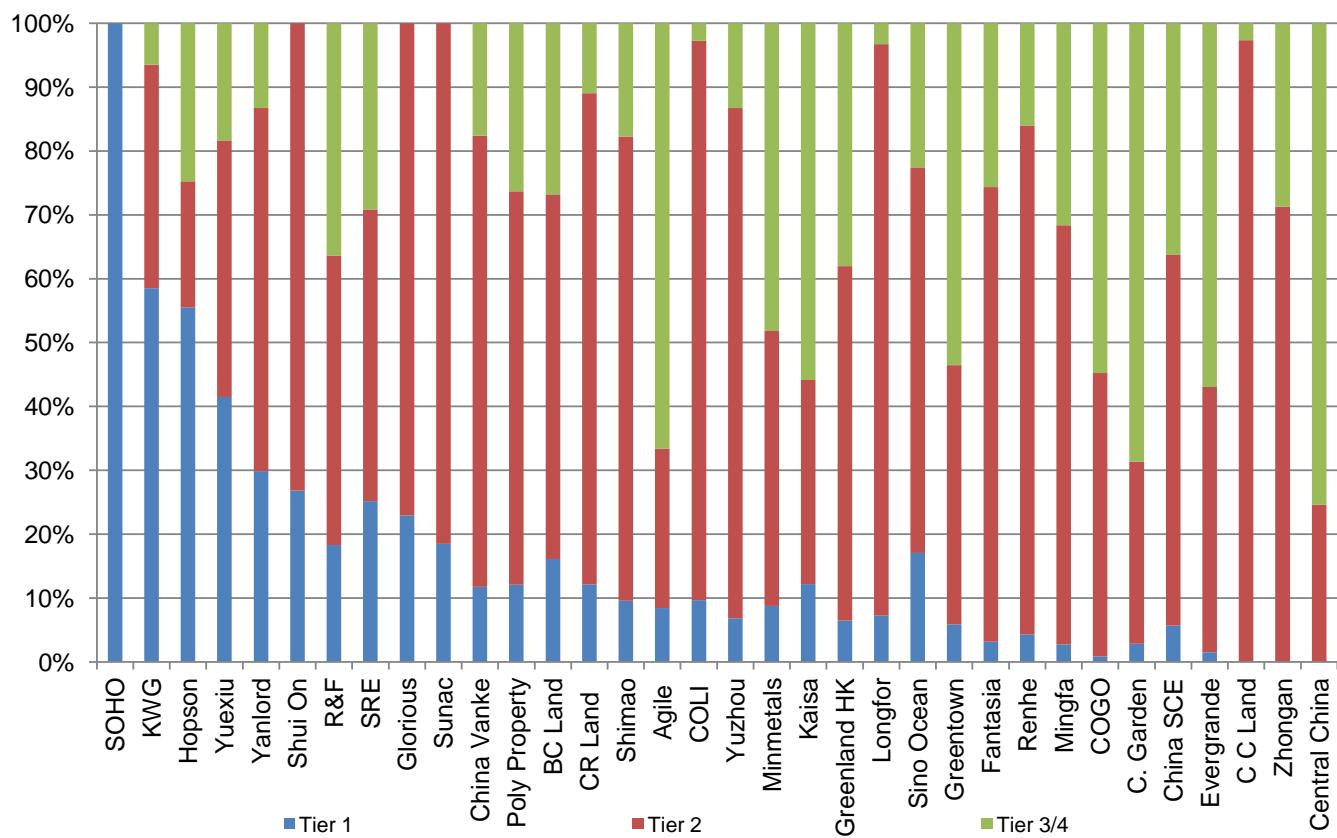
Figure 436: China Prop – Developers NAV breakdown by cities subject to HPR



Source: Deutsche Bank estimates



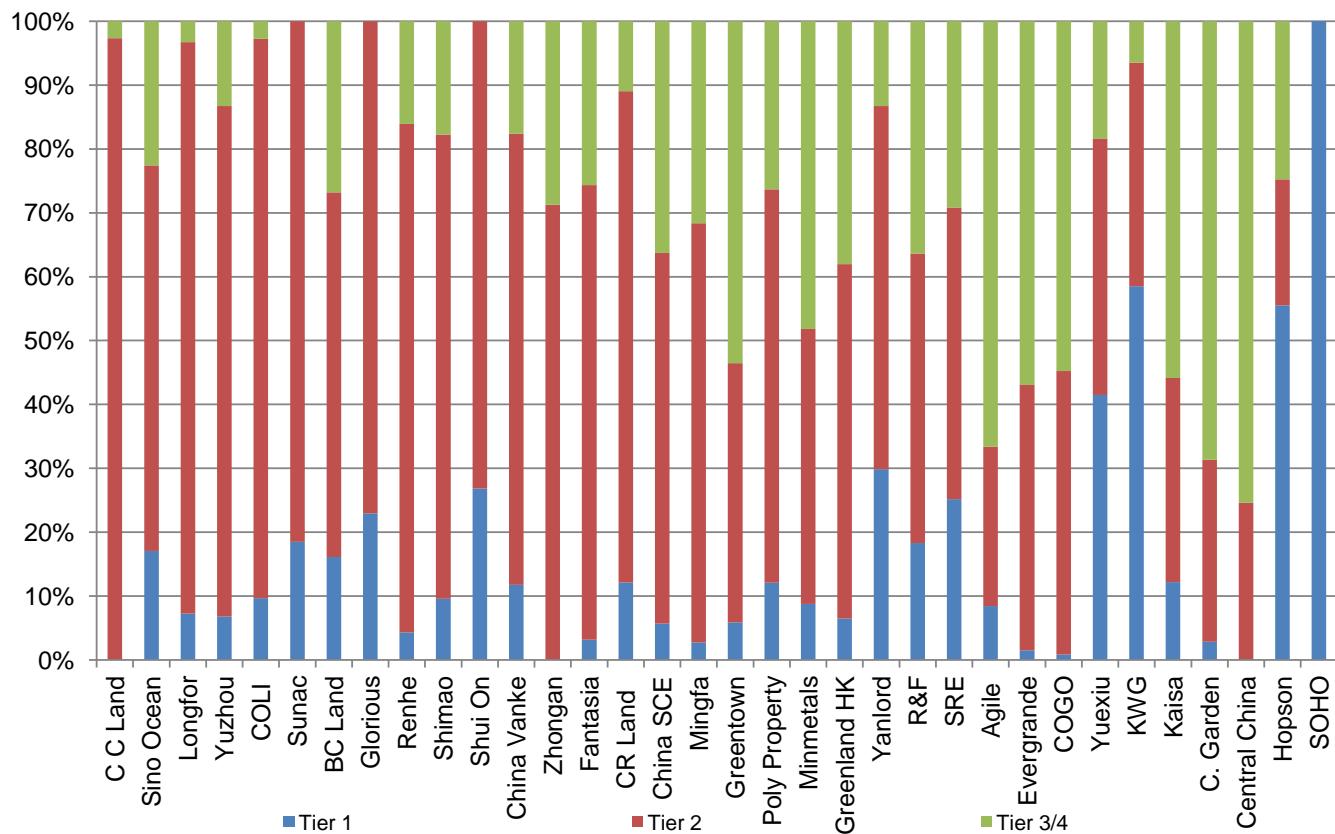
Figure 437: China Prop – Developers geographic Landbank Breakdown Sorted by Tier 1



Source: Deutsche Bank estimates



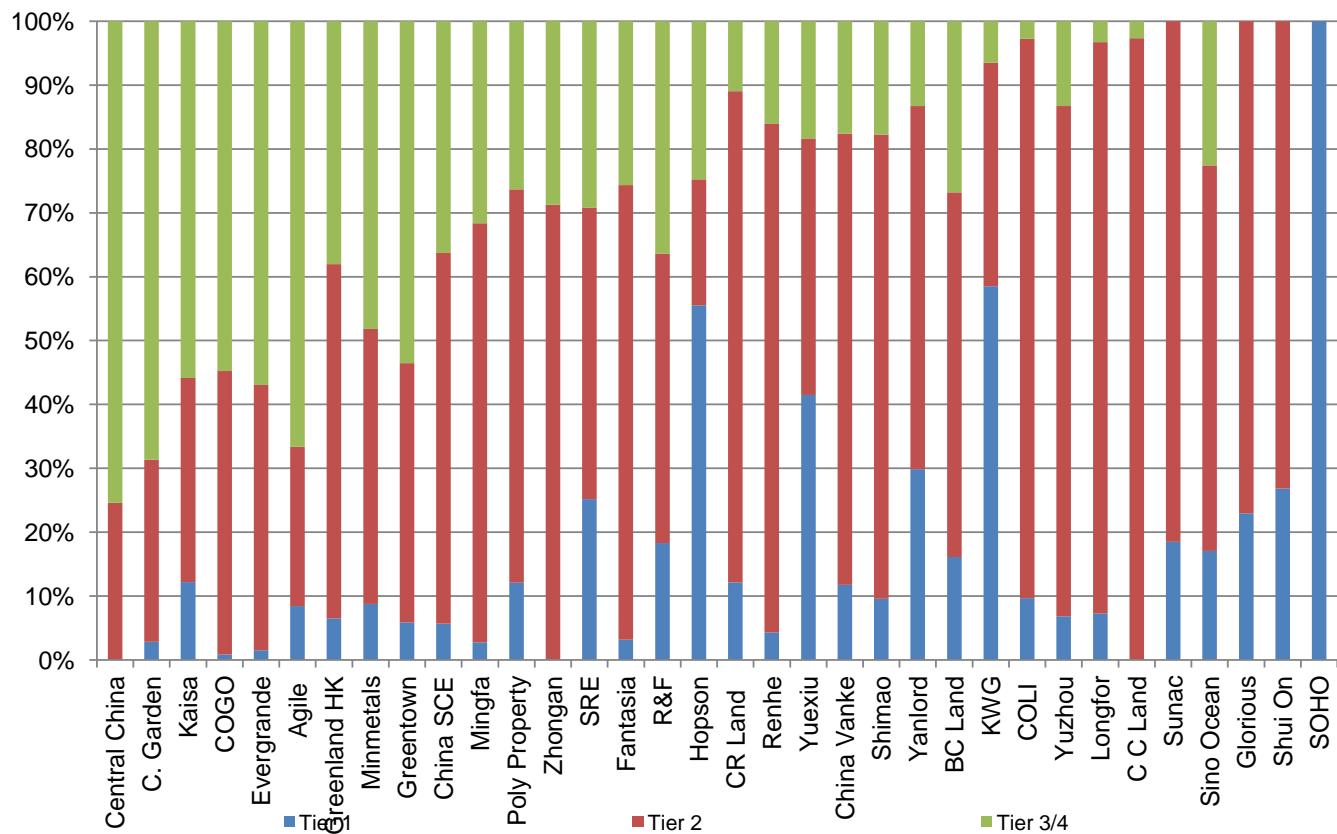
Figure 438: China Prop – Developers geographic Landbank Breakdown Sorted by Tier 2



Source: Deutsche Bank estimates



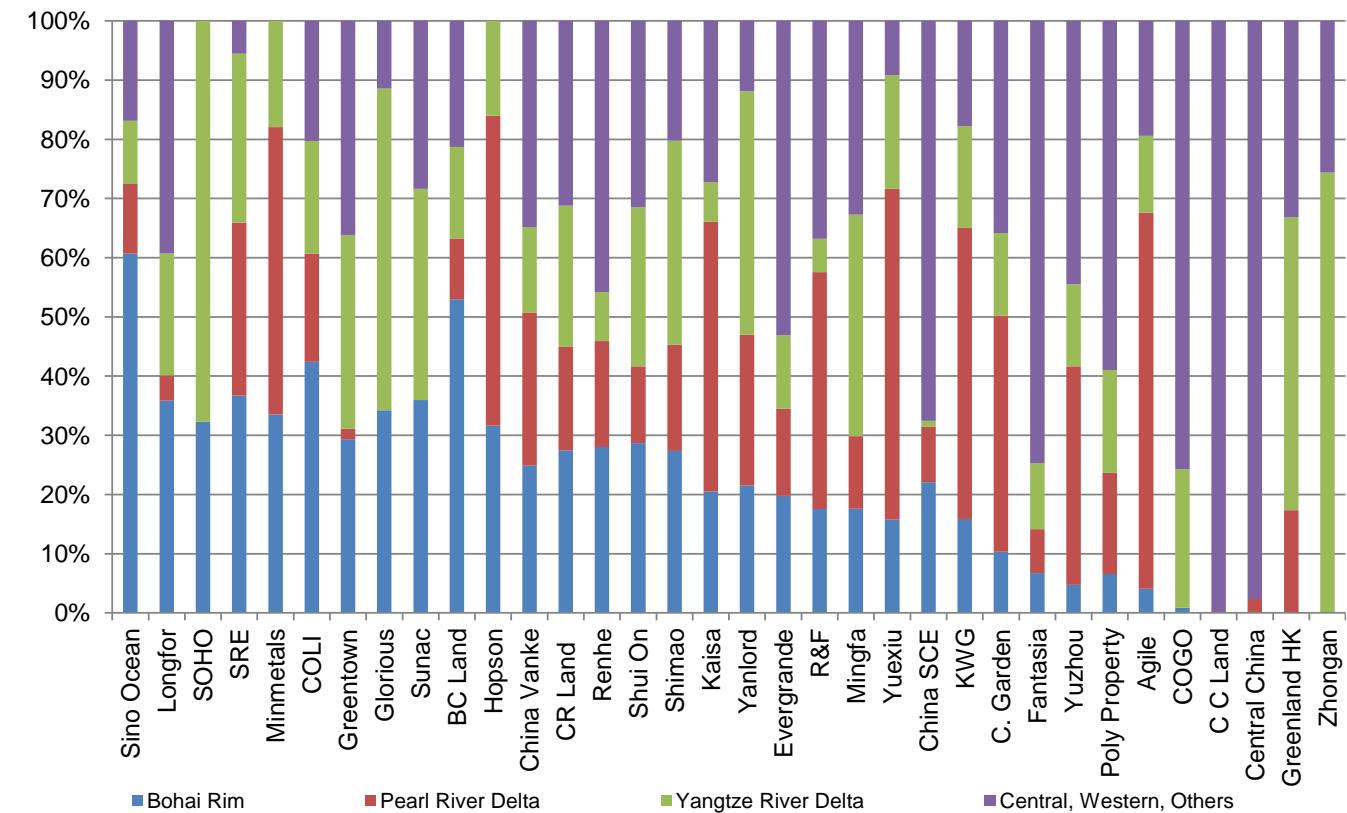
Figure 439: China Prop – Developers geographic Landbank Breakdown Sorted by Tier 3/4



Source: Deutsche Bank estimates



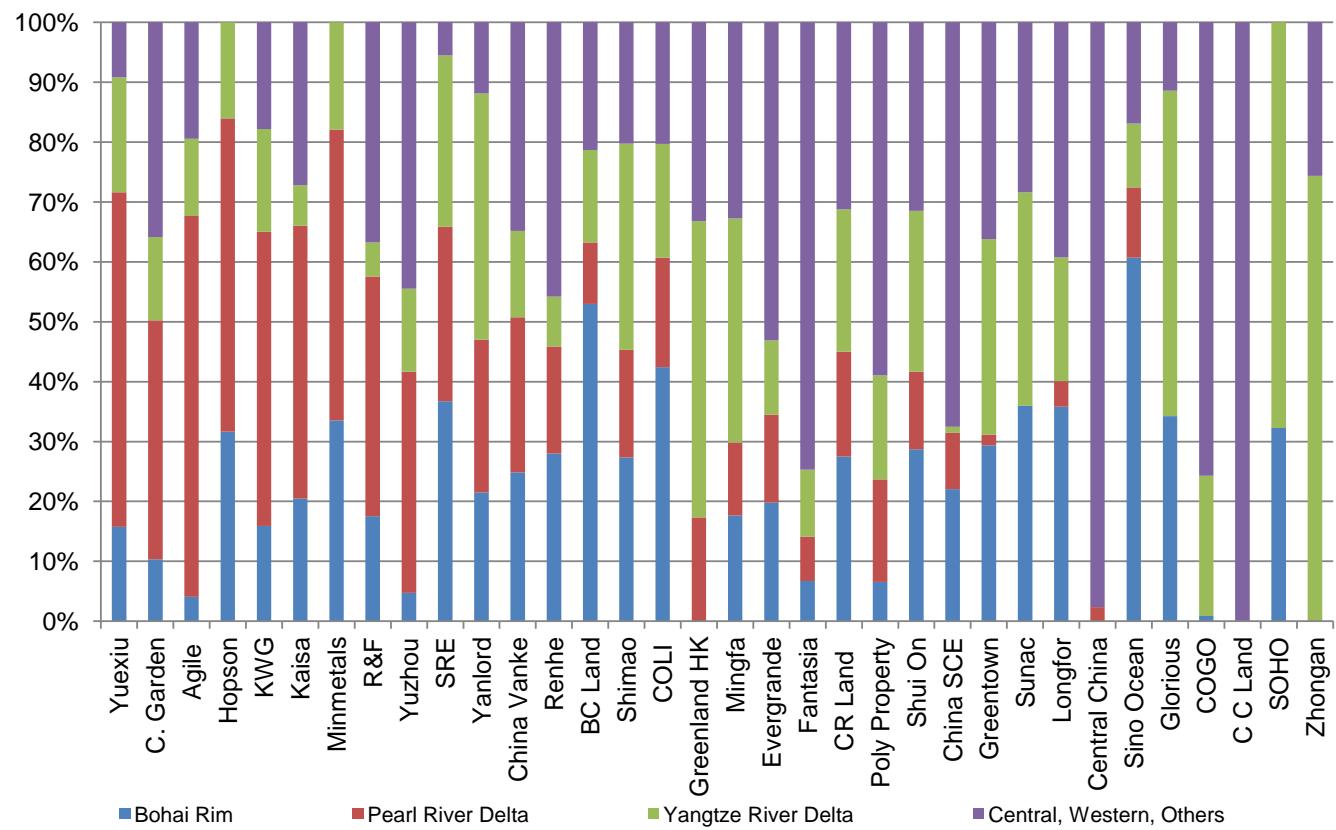
Figure 440: China Prop – Developers geographic Landbank Breakdown Sorted by Bohai Rim



Source: Deutsche Bank estimates



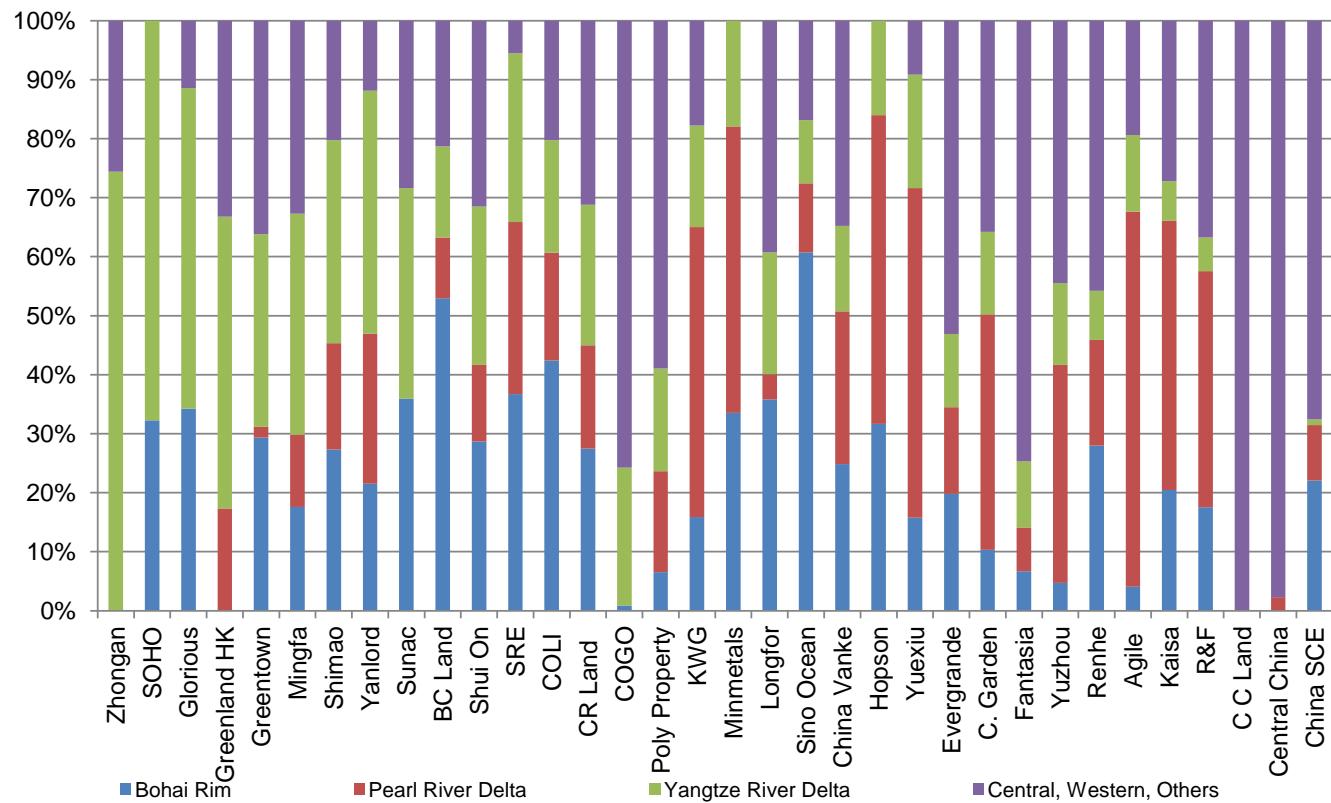
Figure 441: China Prop – Developers geographic Landbank Breakdown Sorted by Pearl River Delta



Source: Deutsche Bank estimates



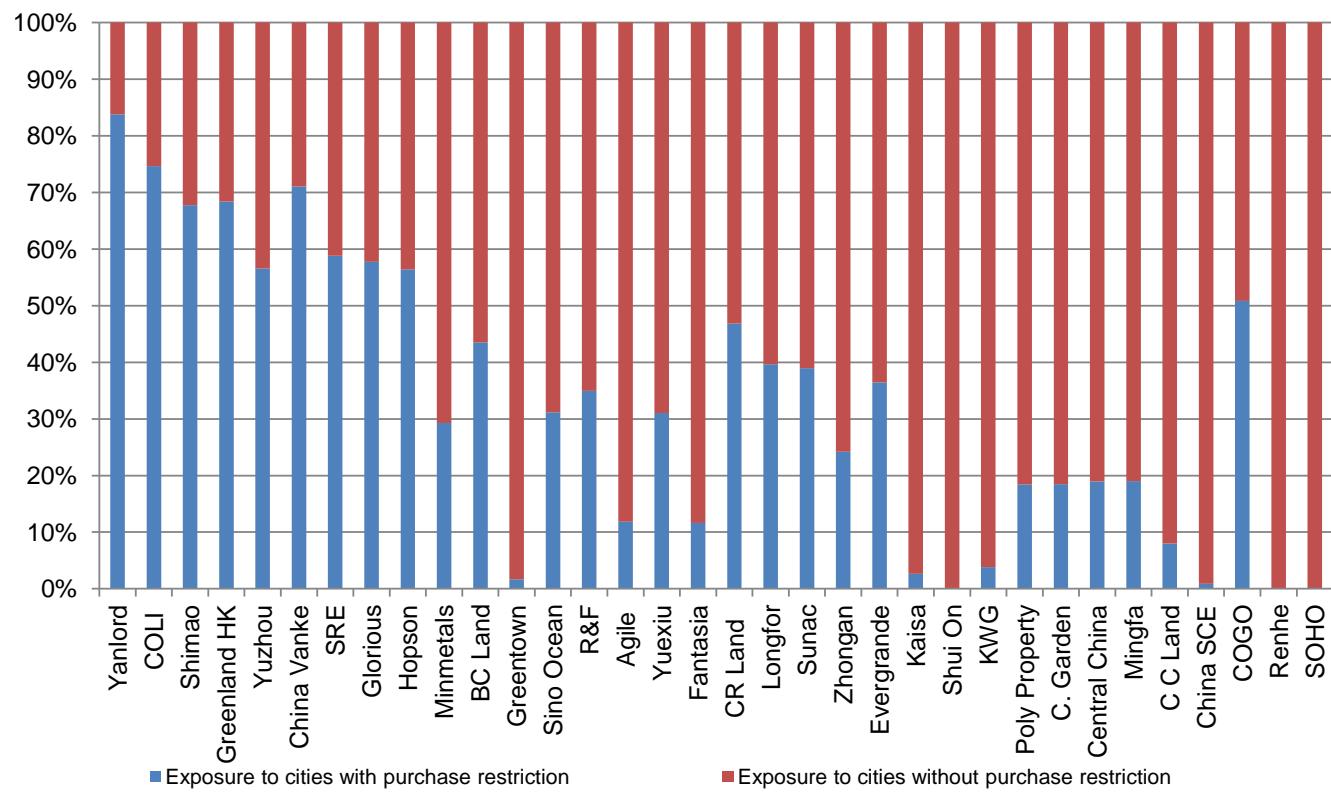
Figure 442: China Prop – Developers geographic Landbank Breakdown Sorted by Yantze River Delta



Source: Deutsche Bank estimates



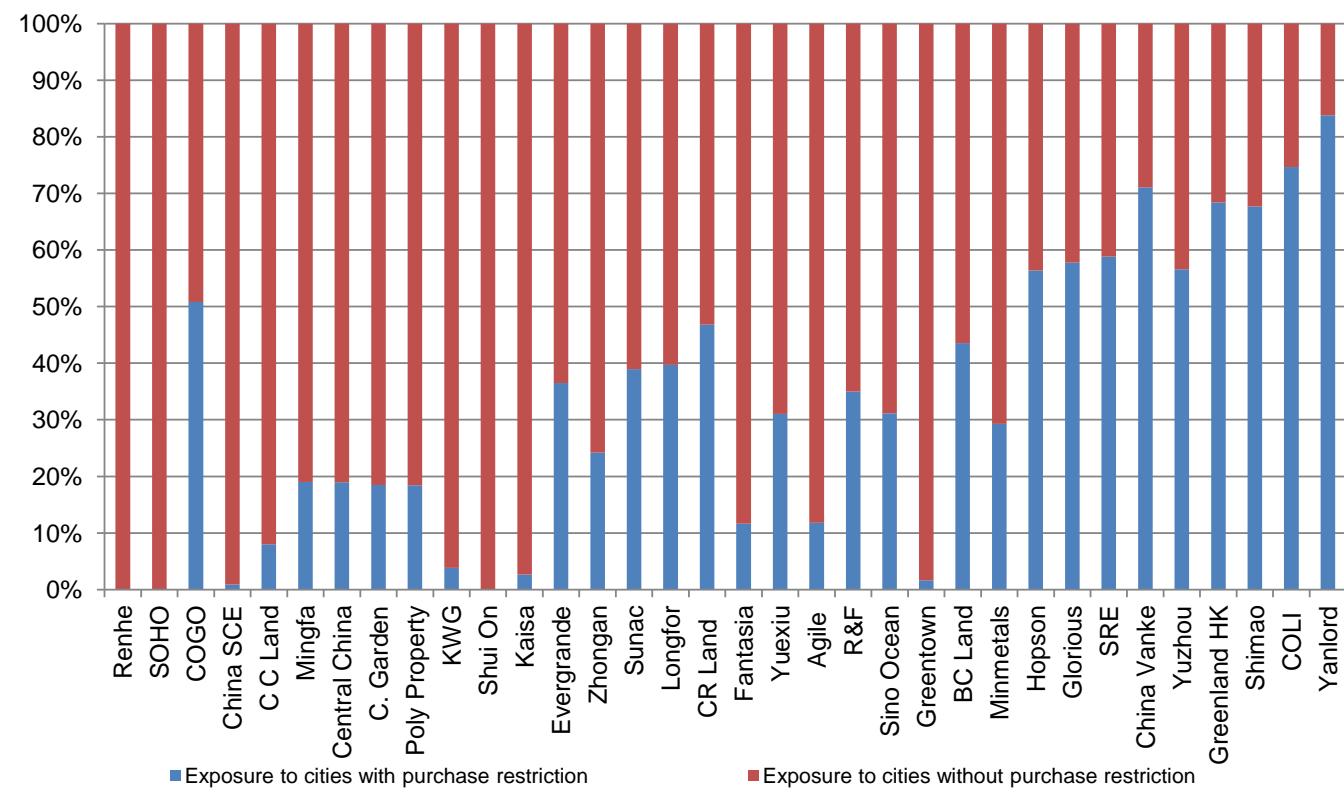
Figure 443: China Prop – Developers Geographic Landbank Breakdown by Exposure to cities with/without Purchase Restriction Sorted by Cities with Restriction



Source: Deutsche Bank estimates



Figure 444: China Prop – Developers Geographic Landbank Breakdown by Exposure to cities with/without Purchase Restriction Sorted by Cities without Restriction



Source: Deutsche Bank estimates



# Appendix 1

## Important Disclosures

### Additional information available upon request

For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <http://gm.db.com/ger/disclosure/DisclosureDirectory.eqs>

## Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst about the subject issuers and the securities of those issuers. In addition, the undersigned lead analyst has not and will not receive any compensation for providing a specific recommendation or view in this report. Tony Tsang/Jason Ching

### Equity rating key

Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield ) , we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Notes:

1. Newly issued research recommendations and target prices always supersede previously published research.

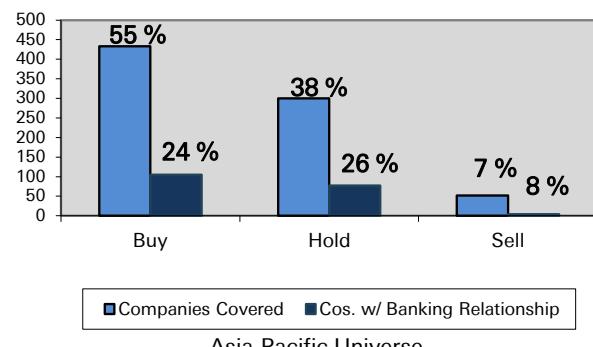
2. Ratings definitions prior to 27 January, 2007 were:

Buy: Expected total return (including dividends) of 10% or more over a 12-month period

Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period

Sell: Expected total return (including dividends) of -10% or worse over a 12-month period

### Equity rating dispersion and banking relationships



Asia-Pacific Universe



## Regulatory Disclosures

### 1. Important Additional Conflict Disclosures

Aside from within this report, important conflict disclosures can also be found at <https://gm.db.com/equities> under the "Disclosures Lookup" and "Legal" tabs. Investors are strongly encouraged to review this information before investing.

### 2. Short-Term Trade Ideas

Deutsche Bank equity research analysts sometimes have shorter-term trade ideas (known as SOLAR ideas) that are consistent or inconsistent with Deutsche Bank's existing longer term ratings. These trade ideas can be found at the SOLAR link at <http://gm.db.com>.

### 3. Country-Specific Disclosures

Australia and New Zealand: This research, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act and New Zealand Financial Advisors Act respectively.

Brazil: The views expressed above accurately reflect personal views of the authors about the subject company(ies) and its(their) securities, including in relation to Deutsche Bank. The compensation of the equity research analyst(s) is indirectly affected by revenues deriving from the business and financial transactions of Deutsche Bank. In cases where at least one Brazil based analyst (identified by a phone number starting with +55 country code) has taken part in the preparation of this research report, the Brazil based analyst whose name appears first assumes primary responsibility for its content from a Brazilian regulatory perspective and for its compliance with CVM Instruction # 483.

EU countries: Disclosures relating to our obligations under MiFID can be found at <http://www.globalmarkets.db.com/riskdisclosures>.

Japan: Disclosures under the Financial Instruments and Exchange Law: Company name - Deutsche Securities Inc. Registration number - Registered as a financial instruments dealer by the Head of the Kanto Local Finance Bureau (Kinsho) No. 117. Member of associations: JSDA, Type II Financial Instruments Firms Association, The Financial Futures Association of Japan, Japan Investment Advisers Association. Commissions and risks involved in stock transactions - for stock transactions, we charge stock commissions and consumption tax by multiplying the transaction amount by the commission rate agreed with each customer. Stock transactions can lead to losses as a result of share price fluctuations and other factors. Transactions in foreign stocks can lead to additional losses stemming from foreign exchange fluctuations. "Moody's", "Standard & Poor's", and "Fitch" mentioned in this report are not registered credit rating agencies in Japan unless Japan or "Nippon" is specifically designated in the name of the entity. Reports on Japanese listed companies not written by analysts of Deutsche Securities Inc. (DSI) are written by Deutsche Bank Group's analysts with the coverage companies specified by DSI.

Malaysia: Deutsche Bank AG and/or its affiliate(s) may maintain positions in the securities referred to herein and may from time to time offer those securities for purchase or may have an interest to purchase such securities. Deutsche Bank may engage in transactions in a manner inconsistent with the views discussed herein.

Qatar: Deutsche Bank AG in the Qatar Financial Centre (registered no. 00032) is regulated by the Qatar Financial Centre Regulatory Authority. Deutsche Bank AG - QFC Branch may only undertake the financial services activities that fall within the scope of its existing QFCRA license. Principal place of business in the QFC: Qatar Financial Centre, Tower, West Bay, Level 5, PO Box 14928, Doha, Qatar. This information has been distributed by Deutsche Bank AG. Related financial products or services are only available to Business Customers, as defined by the Qatar Financial Centre Regulatory Authority.

Russia: This information, interpretation and opinions submitted herein are not in the context of, and do not constitute, any appraisal or evaluation activity requiring a license in the Russian Federation.

Kingdom of Saudi Arabia: Deutsche Securities Saudi Arabia LLC Company, (registered no. 07073-37) is regulated by the Capital Market Authority. Deutsche Securities Saudi Arabia may only undertake the financial services activities that fall within the scope of its existing CMA license. Principal place of business in Saudi Arabia: King Fahad Road, Al Olaya District, P.O. Box 301809, Faisaliah Tower - 17th Floor, 11372 Riyadh, Saudi Arabia.

United Arab Emirates: Deutsche Bank AG in the Dubai International Financial Centre (registered no. 00045) is regulated by the Dubai Financial Services Authority. Deutsche Bank AG - DIFC Branch may only undertake the financial services activities that fall within the scope of its existing DFSA license. Principal place of business in the DIFC: Dubai International Financial Centre, The Gate Village, Building 5, PO Box 504902, Dubai, U.A.E. This information has been distributed by Deutsche Bank AG. Related financial products or services are only available to Professional Clients, as defined by the Dubai Financial Services Authority.



## David Folkerts-Landau

Group Chief Economist  
Member of the Group Executive Committee

Guy Ashton  
Global Chief Operating Officer  
Research

Marcel Cassard  
Global Head  
FICC Research & Global Macro Economics

Richard Smith and Steve Pollard  
Co-Global Heads  
Equity Research

Michael Spencer  
Regional Head  
Asia Pacific Research

Ralf Hoffmann  
Regional Head  
Deutsche Bank Research, Germany

Andreas Neubauer  
Regional Head  
Equity Research, Germany

Steve Pollard  
Regional Head  
Americas Research

### International locations

**Deutsche Bank AG**  
Deutsche Bank Place  
Level 16  
Corner of Hunter & Phillip Streets  
Sydney, NSW 2000  
Australia  
Tel: (61) 2 8258 1234

**Deutsche Bank AG**  
Große Gallusstraße 10-14  
60272 Frankfurt am Main  
Germany  
Tel: (49) 69 910 00

**Deutsche Bank AG**  
Filiale Hongkong  
International Commerce Centre,  
1 Austin Road West, Kowloon,  
Hong Kong  
Tel: (852) 2203 8888

**Deutsche Securities Inc.**  
2-11-1 Nagatacho  
Sanno Park Tower  
Chiyoda-ku, Tokyo 100-6171  
Japan  
Tel: (81) 3 5156 6770

**Deutsche Bank AG London**  
1 Great Winchester Street  
London EC2N 2EQ  
United Kingdom  
Tel: (44) 20 7545 8000

**Deutsche Bank Securities Inc.**  
60 Wall Street  
New York, NY 10005  
United States of America  
Tel: (1) 212 250 2500

### Global Disclaimer

The information and opinions in this report were prepared by Deutsche Bank AG or one of its affiliates (collectively "Deutsche Bank"). The information herein is believed to be reliable and has been obtained from public sources believed to be reliable. Deutsche Bank makes no representation as to the accuracy or completeness of such information.

Deutsche Bank may engage in securities transactions, on a proprietary basis or otherwise, in a manner inconsistent with the view taken in this research report. In addition, others within Deutsche Bank, including strategists and sales staff, may take a view that is inconsistent with that taken in this research report.

Opinions, estimates and projections in this report constitute the current judgement of the author as of the date of this report. They do not necessarily reflect the opinions of Deutsche Bank and are subject to change without notice. Deutsche Bank has no obligation to update, modify or amend this report or to otherwise notify a recipient thereof in the event that any opinion, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. Prices and availability of financial instruments are subject to change without notice. This report is provided for informational purposes only. It is not an offer or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy. Target prices are inherently imprecise and a product of the analyst judgement.

In August 2009, Deutsche Bank instituted a new policy whereby analysts may choose not to set or maintain a target price of certain issuers under coverage with a Hold rating. In particular, this will typically occur for "Hold" rated stocks having a market cap smaller than most other companies in its sector or region. We believe that such policy will allow us to make best use of our resources. Please visit our website at <http://gm.db.com> to determine the target price of any stock.

The financial instruments discussed in this report may not be suitable for all investors and investors must make their own informed investment decisions. Stock transactions can lead to losses as a result of price fluctuations and other factors. If a financial instrument is denominated in a currency other than an investor's currency, a change in exchange rates may adversely affect the investment. Past performance is not necessarily indicative of future results. Deutsche Bank may with respect to securities covered by this report, sell to or buy from customers on a principal basis, and consider this report in deciding to trade on a proprietary basis. Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

Unless governing law provides otherwise, all transactions should be executed through the Deutsche Bank entity in the investor's home jurisdiction. In the U.S. this report is approved and/or distributed by Deutsche Bank Securities Inc., a member of the NYSE, the NASD, NFA and SIPC. In Germany this report is approved and/or communicated by Deutsche Bank AG Frankfurt authorized by the BaFin. In the United Kingdom this report is approved and/or communicated by Deutsche Bank AG London, a member of the London Stock Exchange and regulated by the Financial Conduct Authority for the conduct of investment business in the UK and authorized by the BaFin. This report is distributed in Hong Kong by Deutsche Bank AG, Hong Kong Branch, in Korea by Deutsche Securities Korea Co. This report is distributed in Singapore by Deutsche Bank AG, Singapore Branch or Deutsche Securities Asia Limited, Singapore Branch (One Raffles Quay #18-00 South Tower Singapore 048583, +65 6423 8001), and recipients in Singapore of this report are to contact Deutsche Bank AG, Singapore Branch or Deutsche Securities Asia Limited, Singapore Branch in respect of any matters arising from, or in connection with, this report. Where this report is issued or promulgated in Singapore to a person who is not an accredited investor, expert investor or institutional investor (as defined in the applicable Singapore laws and regulations), Deutsche Bank AG, Singapore Branch or Deutsche Securities Asia Limited, Singapore Branch accepts legal responsibility to such person for the contents of this report. In Japan this report is approved and/or distributed by Deutsche Securities Inc. The information contained in this report does not constitute the provision of investment advice. In Australia, retail clients should obtain a copy of a Product Disclosure Statement (PDS) relating to any financial product referred to in this report and consider the PDS before making any decision about whether to acquire the product. Deutsche Bank AG Johannesburg is incorporated in the Federal Republic of Germany (Branch Register Number in South Africa: 1998/003298/10). Additional information relative to securities, other financial products or issuers discussed in this report is available upon request. This report may not be reproduced, distributed or published by any person for any purpose without Deutsche Bank's prior written consent. Please cite source when quoting.

Copyright © 2014 Deutsche Bank AG