



China Property Investment Report

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Highlights

- Local governments start to implement housing price restriction program. The impact to property market needs to be closely watched. As of Feb-20th, there are over 30 cities have plans to restrict extra housing purchase. 10 of them issued detailed implementation plan including Beijing, Shanghai, Guangzhou, Qingdao, Nanjing, Chengdu, Changchun, Nanning, Taiyuan, Guiyang, etc.
- Home prices soften in tier 1 cities under the strong policy measures. Newly launched projects in Beijing from Vanke and COLI both start to give discounts. Home prices will probably under substantial pressure in the 2nd half of the year. Compared to the facts of price dropping, the expectation of price dropping further worries market more. This will place significant pressure to cash flows of small, middle sized developers. Developers should preemptively secure enough finance for their survival and growth.
- CPI growth rate stays at 4.9% the same as last month. Credit growth and bank new loan growth are unexpectedly lower than market expectation, which proves the effectiveness of Central Banks tightening measures. The expectation for further tightening released especially after another 0.5bps RRR hike.
- Activity in land acquisition market cooled down. Several land pieces were auctioned with 0% premium. The side effects of the weak land market will be a significant reduction of local government's revenue, which provides major support for the subsidized housing. If there is no change for the present economical structure, local governments would have strong incentives to delay or sacrifice the subsidized housing programs. Hence the new policies and new system design to promote subsidized housing program will have significant impact to China property market.

Major Transactions

Views of MDC: We saw only limited transactions after Chinese New Year. Under the backdrop of a series of tightening measures, investors become more conservative. Many of them wait for a clear economic outlook. Oversea investors are moving their risk focus from overheating to potential hard landing of overall economy, while we think the market over-reacted. Many seasoned Asia property investors are trying to expand their presence in China, including Singapore's GLP, Hong Kong's Wheelock and Malaysia's Parkson. They all actively seek investment opportunities. Investors from U.S. Europe and Japan are also making investments in China Real Estate through WFOE, FIE or Funds, especially in commercial properties. In this month, UK's biggest grocery retailer Tesco JV with Singapore's Metro to expand their shopping mall business. Mitsubishi Fudosan and SOCAM formed another JV, eyeing retail properties.

China's local developers ceased to make "Land Kings" in the land bidding markets. A further batch of restrictive measures dampen the confidence of many developers in the land market. Only big SOEs (State Owned Enterprise) and listed property companies still have appetite in land acquisitions. MCC(Metallurgical Corporation of China) bid for 5 pieces of land in Shanghai. Longfor bid for 4 pieces of land in Ningbo. SPG land bid for 4 in Ningbo too. COLI bid for 3 in Nanchang. We think land market experience a colder season in the next months. But the market should recover in later months due to local government's high dependence on land sales.

Major transactions are listed below:

Buyer	Seller	City	Property	Value(RMB)
Tomson Group	Mori Group	Shanghai	72nd floor of Shanghai World Financial Center	269 m
Shanghai Shiye	Cho Da Fu	Shanghai	2 pieces of residential land	2.436 b
Mitsubishi Fudosan	SOCAM	Dalian	30% equity of Dalian Tiandi project	209 m
SOHO	Deluxe Family	Shanghai	31.5% stake in Hongsheng Real Estate	788 m
Sunning	Local Government	Fuzhou	3 pieces of land about 95412 sqm	1.838 b
Poly Property	Local Government	Guiyang	2 pieces of land about 291.3k sqm	1.04 b
Zhongtian Chengtong	Local Government	Guiyang	6 pieces of land about 513k sqm	989 m
Wheelock	Local Government	Fuyang, Hangzhou	5 pieces of land about 300k sqm	1.44 b

GLP signs leases covering 136,000 sqm in China

Global Logistic Properties (GLP) has signed new and expansion leases totalling 136,000 sqm in China in January. "We are seeing strong market demand driven by sustained domestic consumption, which contributed to the volume of new and expansion lease activity we saw in January," said managing director Kent Yang.

Mori Group plans to sell SWFC in Shanghai on strata basis

Mori Group has decided to sell the 492-m Shanghai World Financial Center (SWFC) on strata basis. Tomson Group said it acquired the 72th floor of SWFC (about 3,222 sqm GFA) for RMB 267 million. "Since the completion of our building, we have received many enquires from our clients to buy office space for their own use, and the latest deal is at the call of such requirement," said a personnel surnamed Pan, who is in charge of Mori Building China

(Shanghai) media relations. Pan told China Daily that the sale of the office unit is after many considerations including the company's intention to further invest in Shanghai, which requires a steady capital flow.

Wheelock buys China sites for RMB 1.44 billion

Wheelock Properties (Singapore) is buying five sites in Fuyang City, Hangzhou, China for a total of RMB 1.44 billion. The sites occupy an area of 3.2 million sq ft and have a total GFA of about 3.9 million sq ft. Wheelock plans to develop 588 townhouses and 1,260 apartments.

Tesco signs joint venture for malls

TESCO, the world's third-biggest retailer, has signed a joint venture to build three more shopping malls in China as part of its plans to rapidly expand in the country. The British supermarket group said on 28 February that 50% of the venture would be owned by a consortium of Asian investors including Singapore's Metro Holdings.

CPN eyes China with mall in Qingdao

Central Pattana Plc (CPN) announced plans for its first foreign shopping complex, in Qingdao, China, scheduled to open two years from now. The source said CPN would sign a memorandum of understanding with a Chinese partner in March 2011, after which it would take about two years for the shopping complex to open.

Mitsubishi Estate to launch outlet mall in China in 2012

Mitsubishi Estate Co. is planning to launch an outlet mall in Shenyang in spring 2012 jointly with Chinese clothing maker Symphony Holdings Ltd. It would be the first time for the major Japanese real estate developer to operate a commercial facility overseas.

Straits Construction Investment Holdings acquired a plot in Nanjing's Hexi New City

Straits Construction Investment Holdings announced on 3 March that it has acquired a plot in Nanjing's Hexi New City for RMB 4.47 billion (HKD 5.30 billion). It will be the company's first project. The plot occupies an area of 341,000 sqm and has a planned gross floor area of about 940,000 sqm.

SOHO China acquired property Co in Shanghai

A subsidiary of SOHO China, bought 31.5% stake in Hongsheng Real Estate for total value of RMB 788m from Deluxe Family. Currently, SOHO China holds 80% stake of the target co, by which the group acquired development right of the land plot located at No.388 Madang road.

Oriental Centre Office Building is listing for RMB 1.3bn

Located at No.31 Wujiang Road, a local Grade A office building, Oriental Centre is now list for sell, the asking price is RMB 1.3bn. Completed by '04, Oriental Centre is a comprehensive development with 33,000 m² office space and 6,000 m² retail space. The land tenure starts from 11 April 1999 and expires at April 2049. The landlord is Shanghai Xingjing Real Estate Dev Co. It is reported that the reason for selling this project is mainly due to the company needs more cashflow for operation of several ongoing project on hand

Kaisa to buy shopping mall in Dalian for RMB 650 million

Kaisa Group Holdings Ltd which principally develops real estate in China's Pearl River Delta, recently announced that it plans to buy a shopping mall for RMB 650m in Dalian, Liaoning Province, sources reported.

Financing market

MDC View: The government's tightening measures targeting Real Estate industry are pushing developers to seek alternative financing channels for their projects. Hong Kong listed developers benefited from their unique structure, which allows them to borrow RMB in offshore market cheaply. The required rate of return is lower for offshore RMB compared to USD due to limited investment vehicles. For example, Beijing Capital Land plans to issue 115 million RMB note with only 4.75% coupon rate. Country Garden and Powerlong both issued USD denominated loan with yield higher than 10%. Domestic developers on the other hand are seeking trust funds with over 15% interest rate. Cost of equity investment will be even higher and direct financing from the booming A-Share stock market was banned long time ago.

Many developers seek various ways to IPO or make rights issue in overseas stock market. China property developers are pretty active in Hong Kong and Singapore's stock market last year. Investment bankers are searching creative ways to help them to bypass central government's policy restrictions. Cheng Kong is trying to divest its flagship retail property, Dong Fang Square, and pack it in a RMB-denominated REIT listing in Hong Kong Stock Exchange. It could be a significant exit vehicle for China investment property investors.

Major financing projects in this period as below:

Financing party	Value	Term	Vehicle	Rate
Country Garden	USD 750M	7 Year	Corporate bond in Hong Kong	11.375%
Beijing Capital Land	RMB 1.15B	3 Year	Corporate bond in Hong Kong, denominated in RMB	4.75%
Powerlong	RMB 750M	3 Year	Corporate bond in Hong Kong, denominated in RMB, settled in USD	11.50%

Country Garden said to plan sale of \$750m 7year Bonds

Country Garden Holdings Co. plans to sell as much as \$750m of 7year notes with yield of 11.375%, the proceeds will be used to fund existing and new projects, according to 2 people familiar with the matter who asked not to be identified as details are private.

Beijing Capital Land plans to issue RMB 1.15 billion bonds in HK

Beijing Capital Land Ltd, a real estate company based in Beijing, plans to issue RMB 1.15bn worth of three year RMB-denominated bonds in Hong Kong, sources reported. The mid-sized property developer said in a statement that the bonds will have a 4.75% coupon rate and will mature on Feb. 21, 2014.

CBRC loosened the rules on REIT's loan

According to the people from NDRC, CBRC has lifted the prohibition for REIT to lend money since Feb. However, the interest rate on REIT's loan is as high as 15% or above. Also, the permission of REIT's mortgage biz will ensure the cash flow of real estate company's to be liquid.

Singapore-listed Yanlord hires HSBC, JP Morgan, RBS for bond offer

Yanlord Land, a Singapore-listed Chinese property developer, said on Wednesday it has hired HSBC, JPMorgan and RBS as joint lead managers and bookrunners for its proposed U.S. dollar bond offering. The issue is expected to be rated "Ba2" by rating agency Moody's and "BB" Standard and Poor's Ratings Services, Yanlord said in a statement.

Powerlong issued Rmb denominated US\$ settled senior bonds due 2014

Powerlong announced that it has issued Rmb denominated US\$ settled 3-year senior bonds at rates of 11.5% pa due 2014, paid semi annually. The bonds is a Rmb 750mn and Powerlong intends to use the proceeds to finance existing and new property projects and for general working capital purposes. Currently, the earlier issued Powerlong's 5-year senior notes USD denominated are trading at ~ 13.8% yield.

Goldman 'botched' Sunac bond sale

Sunac China Holdings, which cancelled its 1st bond sale this month, said Goldman Sachs Group inadvertently released confidential information on the property developer's finances to some investors.

KWG Property Plans \$250M-\$300M Dollar Bond To Finance Projects

KWG Property Holding Ltd.'s (1813.HK) planned dollar bond is likely to be \$250m to \$300m size, a person familiar with the proposed deal said Wednesday. The Hong Kong-listed developer is looking to pay a yield of around 12.75% on the planned five year international dollar bond, which is callable after 3 years. KWG property proposed to issue senior notes - KWG property proposed to conduct an international offering of guaranteed US dollar denominated senior fixed rate notes. The co will use the proceeds to finance existing and new property projects. Besides, S&P had assigned 'B+' rating to this senior note.

Policy Watch

MDC View: Policy makers are focusing on control two key issues lately: housing price and inflation. After a series of tightening measures, policies proved to be effective. In the short term housing prices and consumption prices are under strict control. But we should point out in the long run the price restriction could not be sustainable. If commodity prices keep strengthening, the inflation will be even higher driven by production cost. Policies should have similar effect in property market. The purchasing restriction policy limited the housing price temporarily. But if the supply drops, the continuing strong demand for quality housing will drive the price rising again. We think government should focus on subsidized housing in order to control housing price in the long run. It's important for the governments to design a well structured system to motivate capital from private sector to join the program and make the program sustainable.

The following policy changes are worth noting:

Beijing tightens property regime

Mainland authorities have banned local governments from selling land above record highs in an attempt to curb the red-hot property market. The Ministry of Land and Resources also said it will increase supply for public rental housing and fixed-price medium and small-size flats this year.

China plans to build 10m low-cost homes this year

China's government will spend nearly US\$200bn this year to build 10m low-cost homes, a Cabinet official said yesterday, amid efforts to spread the benefits of economic growth to the poor and rein in surging housing prices

China tax reform - Consumer discretionary benefits most

The China government plans to implement aggressive fiscal policy by cutting individual taxes. The National People's Congress will review the draft and this could be implemented in mid-2011, if approved by State Council. For enterprises, the government is also considering cutting customs tariffs or consumption tax on cosmetics, jewellery, gold and watches.

Individual tax cuts could positively affect most income levels. The market already had expectations that the China government would increase the tax deduction from the current Rmb 2,000/month to Rmb 3,000/month while reducing the current 9 tax brackets to 6 or 7 tax brackets. High-income earners may benefit the most. As the expenditure per month per capita in major thirty-six cities is close to Rmb 2,000, the tax deduction up to Rmb 3,000 /month would be meaningful to consumer expenditure. For high income earners, the tax savings could be equivalent to an 8-10% wage increase

Central bank raises RRR by 0.5%

After revise, RRR for large financial institutions hit the record of 20.0%, which is 3rd adjustment in this year and 9th adjustment since last year. Upon this adjustment, it can lock close to RMB 400bn liquidity, Lu zhenwei, a senior economist of Industrial Bank, said. RRR adjustment will impact on home loan as the interest rate may increase to 1.1x of current benchmark rate, property speculation will shrink as tightening money supply, Zhang dawei, Director of market research department of Centaline, said.

China: NDRC stricter restriction on presales

NDRC required developers to disclose clearly the price for each unit for the project obtained presales approval effective from 1st May 2011. Developers have to obtain approvals if they were to change the originally announced prices. We consider the stricter restriction likely to limit the flexibility for developers to raise prices even if projects turn to receive better than expected responses. Also, developers required to clearly lay out all related charges, including legal, property management and agent fees. The rules seems to be fairly similar to that of HK announced in last year to require developers in providing more disclosures, aiming to protect customers' interest. As a result, most HK developers downsized the size of each batch of project launch in order to retain the pricing flexibility.

Shanghai government set the price increase limited to 8% YoY for 2011

Shanghai local government set the property price increase at 8% YoY for 2011, similar to the level of GDP growth for this year. Therefore, the price level of Shanghai needs to monitor at around Rmb15350psm, around 8% increase against last year average prices achieved in 2010 of Rmb14,213 psm. The purchase restriction has substantial impact in Shanghai and is expected to affect 1m to 1.5m households. The policy can be executed in the city since they already have the proper system in place to check the number of housing units each household hold. Shanghai volumes averaged at around 1m sqm per month that is expected to drop to only 300k sqm in Mar 11.

Views of opinion leaders

China tightening to hit small property firms

Some small Chinese developers will not survive until the end of the year because the government's property tightening will deprive them of cash, giving bigger players a chance to buy their assets, Fitch Ratings said on Thursday. However, any concern about a real estate crash in China was unwarranted as most developers still held sufficient cash to get through the next 12 months, said Ying Wang, a Chinese property analyst at Fitch. "Surely some will collapse, but those listed in Hong Kong still have sufficient cash and stable liquidity after bumper sales revenue last year," she said. "We don't have to be too pessimistic." China has virtually halted domestic public listings of developers and has also ordered banks to curtail lending to them, but big state-owned developers such as Poly Real Estate Group Co Ltd could still get loans, Wang said. At the same time, a growing number of Hong Kong-listed developers such as Evergrande Real Estate group Ltd are issuing offshore yuan bonds to raise cash. Small homebuilders, however, rely largely on private loans and trust funds. They will have to sell assets, include land acquired at cheap prices, to bigger rivals if they are unable to raise enough funds for developers, Wang said. China has repeatedly intensified efforts to rein in excessive housing price rises since late '09, with the latest round of tightening launched in January. Transactions will fall, yet property prices will remain stable with upside risks, particularly in the country's top cities, Wang said.

China: Vice Minister of MOHURD held a press conference yesterday with a key focus on the financing of policy housing

Mr Qi Ji indicated that the total financing of for the 10m units is estimated to be ~Rmb1,300-1,400 billion, of which Rmb100 billion will be provided by the central government, Rmb400 billion will be from local governments and the remaining Rmb800 billion is expected to be provided by social/commercial entities. Out of the 10m units of social housing, ~2m units will be economic/cap price housing, ~4m units will be resettlement housing, and the remaining 4m will be public/low rental housing.

Assuming local governments could meet their land sales budget of Rmb1,975bn for 2011, we estimated that local government need to use 20% of its target 2011 land sales to subsidize the policy housing to be started in this year. Note that policy housing construction not only incurs "additional" expense for local governments, the 'give away' land to develop policy housing would reduce its potential revenue base. Local governments are expected to allocate land "without compensation" for policy housing (especially public rental and low rental housing). Hence, the real "expense" of building more policy housing would be more than Rmb400 billion. We believe that local government will continue to rely highly on land sales to finance policy housing projects and we think this will be particularly challenging with tighter liquidity in the system, not only for developers but also for local governments.

Impact to the sector. As the governments still need to sell land to developers for financing policy housing, local government will be reluctant to strictly implement the property measures for a sustained period. Hence, we expect the implementation of the policy will be loosened gradually, likely when it's closer towards 2H of this year. Also, more land for policy housing implies less for private housing, which may squeeze the future private residential supply.

We believe the direct impact of 10m units of policy housing on the private sector will mainly come from the 2m units of economic and cap price housing for sale. The remaining 8m units are rental and resettlement housing. Last year about 9m units were sold, thus the new supply of social housing for sale could attribute to ~22% of the annual sales.

China: Top 100 property enterprises are having new focus in commercial and leisure property

CRIC published its 2011 Top 100 property companies' survey report and their ranking based on different criteria. The top 5 best companies are Vanke, Evergrande, Poly, Shanghai Greenland and Dalian Wanda. They noted that there are two major trends forming as developers are moving into 2nd and 3rd tier cities and raising their investment in commercial properties and leisure properties. The move is mainly driven by Central government restricting purchase and policies targeting primary cities.

Macro Economy

MDC View: CPI growth stays the same as last month. New bank loan on the other hand dropped significantly in Feb compared to Jan, which is under market expectation. The expectation for further tightening measures is leveled. In property market, housing transactions dropped more than 20% after the restrictive measures implemented. The price starts to soften too. Another data worries market is that the total retail sales growth dropped 3% to 15.8%. We think in the backdrop of credit tightening the drop is justified. But retail consumption should retain strong growth with the government's further subsidizing programs to promote domestic consumption.

Inflation concerns in China hits consumer confidence

China's consumer confidence index saw its second consecutive quarterly decline in the last three months of 2010, mainly weighed down by people's expectations of higher inflation, research by the National Bureau of Statistics (NBS) and The Nielsen Company showed on 23 February.

Shanghai sees property investment surge 24.7% in Jan-Feb

Shanghai's Bureau of Statistics announced that the city had recorded a total of RMB 28.84bn investment in real estate market in the 1st 2 months of this year, reflecting a year over year increase of 24.7%.

China may overtake US in 20 years with 8% annual economic growth

China could overtake the United States as the world's largest economy if it maintains annual growth of 8% over the next 20 years, the World Bank's chief economist said on 23 March. 'China may become the largest economy in the world by 2030,' said Justin Lin. Its economic size may then be twice as large as the United States, measured by purchasing power parity, he added.

Chinese GDP share of the world's total jumps to 9.5%

China's GDP accounted for 9.5% of the world's total in 2010, nearly double the 5% in 2005, said the National Bureau of Statistics (NBS) on 24 March. China's GDP ranked second in the world in 2010, up from fifth position in 2005, the NBS said in a statement on its website. The NBS also said that China's GDP was equal to 40.2% of the United States' GDP in 2010, up from 17.9% in 2005.

Property Fund Pulse

MDC Views: Many offshore funds finished their fund raising in recent months: e.g. SOTAN and Gateway Capital. Compared to residential market which is under severe policy restriction, they are more interested in commercial properties. Most global funds have advantages in capabilities such as investment management, risk management, business operation. In addition, they have pretty favorable exit-platform through REITs and IPO in overseas stock markets. Perennial, Mapletree and CMT all plan to offer equity in the market. Finally, insurance funds and pension funds often present as their corner stone investors in the fund.

Major activities of property funds as below:

Fund	Country	Capital	Activity
NPS	Korea	1 trillion KRW	Assign 440 Billion KRW to Preamerica Real Estate Investor
CIC	China	USD 300 Billion	JV with Blackstone to take over Morgan Stanley's Japanese loan portfolio worth 1.1Billion USD
ARA	Singapore		Plan to issue 3 REITs and expand AUM to SGD 20 Billion.
SOTAN	Hong Kong	USD 400m	JV with SOCAM successfully raised USD 400m to invest in China projects
Perennial	Singapore		Plan to issue business trust in Singapore stock market.
Gateway Capital	Hong Kong	USD 800m	Plan to issue RMB REIT in Hong Kong

Korea's NPS targets property funds abroad

Korea's national pension fund (NPS) said on the 20th of February that it has set aside more than KRW 1 trillion to overseas property investment managers as part of the fund's efforts to diversify its investment portfolio. NPS came to an agreement with Pramerica Real Estate Investors to entrust KRW 440 billion under the property investor's management, according to the local pension fund manager. NPS expects a 10% return on the entrusted fund.

REITs in Singapore borrowing to pursue acquisitions

Many real estate investment trusts (REITs) took on much more debt to pursue acquisitions, in view of low interest rates. This can be seen in the rising levels of borrowings among REITs against their assets. Out of a sample of 16 REITs in Singapore, as many as 10 had a higher aggregate leverage or gearing ratio at end-2010 compared with end-2009. A-REIT, Mapletree Logistics Trust and Parkway Life REIT also snapped up assets in 2010.

CIC joins Blackstone in purchasing Japanese loan portfolio

China Investment Corporation (CIC) is reportedly joining Blackstone Group in purchasing a Japanese loan portfolio from Morgan Stanley. CIC's decision to team up with Blackstone in buying the USD 1.1 billion commercial property portfolio at 65% to face value appears to be one of a routine series of global investments for the USD 300 billion Chinese sovereign wealth fund.

Singapore's ARA plans to list three REITs in the next 12-18 months

ARA Asset Management is working on listing around three REITs in the next 12 to 18 months. These REITs are likely to focus on the commercial or hospitality sectors, said group CEO John Lim. ARA also expects the five REITs it is now managing to continue growing through asset acquisitions. ARA aims to manage SGD 20 billion in assets by 2012.

Shui On Closes China-focused PERE Fund

Shui On Construction and Materials (Socam), the listed subsidiary of Hong Kong-based real-estate developer Shui On Group which is known for projects such as Shanghai's Xintiandi area, has launched a private-equity biz. Socam's fund mgt JV Tan-Eu Capital, run by Rachel Renucci-Tan, just closed the SoTan China Real Estate I Fund, raising US\$195m from 2 European pension funds.

Perennial China play should take REIT route

PERENNIAL Real Estate's recent decision to defer the initial public offering of its Perennial China Retail Trust (PCRT) following international roadshows last wk is reminiscent of the time in Nov 2001 when CapitaLand had to scrap the IPO for its SingMall Property Trust (SPT) b/c of poor demand.

Hundreds billions of Real estate private equity fund assembled in property market

Property developers start to lend foreign funds to finance their projects since the H2 2010. Foreign capitals especially from Southeast Asia are majorly invested in china commercial property market, either by way of FDI or setting funds. According to the National Bureau of Statistics released last year, developers financed total Rmb7.2494tn to put in property market, up 25.4%YoY. Among them, domestic loan up 10.3%; while foreign capital up 66%, 55.7% higher.

Private equity unfazed by China property "Bubble"

In the PERE (private equity real estate) Forum held in Hong Kong Feb 15 and Feb 16, the mood among members of the private equity industry was positively optimistic, which is a contrast to the brokers worry about a possible slowdown in China's property market as a result of inflationary pressures and tighter monetary policy. Attendees confessed to be surprised by how resilient the real estate market has been in the face of policies from Beijing to damp down both demand and prices. The panelists were even more optimistic than the audience. The CEO of Century Bridge Capital, which is based in Beijing and Dallas, noted that in China's Tier 2 cities, a group which includes about 40 cities, incomes are rising faster than home prices, which means that affordability isn't a big issue. Many panelists thought the fact that the government is intrusive was actually a good thing since it makes the environment more predictable.

Gateway Capital plans US\$800m REIT

Gateway Capital plans to list its mainland property assets by way of a yuan-denominated Real Estate Investment Trust (REIT), aiming to raise up to US\$800m, the Hong Kong Economic Journal reported on Friday.

Credit Suisse's Real Estate Fund International sells property in Singapore

The Real Estate Fund International of Swiss Bank Credit Suisse announced on 11 March the sale of a property in Singapore it had acquired in April 2007 for CHF 123 million. The purchase price is around 46% above the property's market value as of the end of June 2010. According to the bank, the net capital gain from the transaction, which raised the fund's net asset value to CHF 18.00 per share as of March 1, 2011, equals CHF 33 million.

HSIL sets up USD 280 million China JV

HSBC Specialist Investments (HSIL) has bought three retail malls in China for around USD 280 million in a joint venture (JV) with British supermarket chain Tesco and Singapore-listed Metro Holdings Limited. The three malls total 2.4 million sq ft of space in the cities of Fuzhou and Xiamen in the southern Chinese province of Fujian and Shenyang in the north-east province of Liaoning. All of the malls are currently under development and are anchored by a Tesco hypermarket.

News of Developers

Cheung Kong REIT launch hits roadblock

Regulators have yet to approve the Cheung Kong (Holdings) (0001) yuan-denominated real estate investment trust IPO, potentially derailing its mid-April debut tgt. The Securities and Finance Commission yesterday came back with more questions a/f meetings on Monday, underscoring its caution in dealing with untested instruments in the world's busiest IPO market, sources said.

Longfor to build 12 shopping malls in 5 years

In 2010, the group's rental income surged 45% year over year to RMB 287m from RMB 198mn. The rental income is estimated to reach RMB 2bn in 5 years, according for 10% of total profits in investment property

Mapletree Commercial Trust Delays Singapore IPO Launch

Mapletree Commercial Trust, a unit of Temasek-held Mapletree Investments, has delayed its planned S\$1 bn Singapore initial public offer due to uncertain market conditions, a person familiar with the situation said Tuesday. Mapletree Commercial Trust was looking to raise the money via a real estate investment trust and had planned to file the IPO prospectus with the Monetary Authority of Singapore Monday, the person said. "Recent global events have caused much volatility in the capital market," a Mapletree Investments spokesperson said in an emailed response to queries, without commenting on whether the IPO has been delayed.

Vanke to raise funds by cooperation with China Resources

Vanke announced to cooperate with China Resources and its affiliated company to raise no more than Rmb 4.42 billion, the cooperation includes a loan agreement with Zhuhai city commercial banks, financing from SZITIC's trust and Harvest Capital Partners' funds.

China: Powerlong Real Estate - Entering the department store business

Powerlong announced full year 2010 core profit (excluding the revaluation gain on investment properties) of Rmb1,177m, down 4% year over year, or EPS of Rmb 0.29 per share, down 24% year over year due to dilution impact of IPO shares issued. Powerlong's core profit was better than our forecast by 7% and in line with consensus. The company declared a final and full year dividend of Rmb 6cents/share; the payout ratio was 21%, similar to that of last year. Maintain Outperform, but we lowered our target price by 9% to HK\$3.1/share based on an unchanged NAV but higher target discount of 35% from previously 30%.

Management plans to complete up to 7 malls this year. Management expects to incur Rmb6bn of construction capex this year. We project the company will be in negative cash of Rmb2bn We believe the company's relatively lower gearing of 28% could provide some room for leverage. Powerlong would like to replicate its success in its flagship Fuzhou mall and plans to operate its own department store in 4 selected upcoming shopping malls. Management believes that this could potentially bring synergy to its shopping mall business and encourage better foot traffic.

Data Quick Views

1. CPI Growth

Indicator	Data	Comments
CPI	4.90%	Above market expectation
PPI	7.20%	Above expectation

2. Credit growth

Indicator	Data	Comments
M2 Growth	15.70%	Below expectation
Bank credit	500 billion	Below expectation

3. Interest Rate

Indicator	Data	Note
Saving Rates	3.00%	1 year deposit
Borrowing Rates	6.10%	1 to 3 year loan
Required Reserve Ratio (RRR)	19.50%	Large Banks

4. Housing Market

According to CRIC, of China's 10 major cities, primary housing transactions dropped in 5 of them and increased in the other half. Among them, Chengdu rank No.1 in transaction drop and Chongqing lead in transaction increase.

City	March transactions in China major cities			
	Units	(% on last month)	Area (k sqm)	(% on last month)
Shanghai	4763	23.43%	405.9	18.44%
Nanjing	2115	0.67%	212.8	-6.41%
Hangzhou	1864	-6.75%	232.5	-4.34%
Beijing	5827	71.99%	597.1	55.86%
Tianjin	6286	-35.99%	620.2	-40.41%
Changsha	6696	13.63%	732.4	17.61%
Chengdu	N.A.	N.A.	634.8	-44.72%
Chongqing	14145	96.73%	1235.2	92.78%
Shenzhen	2970	59.85%	257.5	57.40%
Guangzhou	4524	7.43%	516.8	-0.32%

Source: CRIC

5. Land Market

Land market experience a cooler market in the first half of the month. But it recovers quickly in the later half with 131 pieces of land transacted during the week Mar. 21 to Mar. 27. Within 30 major cities, 15.8 million sqm of land transacted in the month, which record a 68% increase over February, but 42.6% decrease over same period last year.

Land transactions in China Major Cities (in sqm)						
City	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11
Beijing	N.A.	1,436,994	2,673,031	255,768	17,471	N.A.
Shanghai	1,011,024	N.A.	810,759	1,319,861	512,302	754,542
Guangzhou	377,653	657,180	131,040	44,288	N.A.	207,930
Shenzhen	206,773	39,316	158,869	N.A.	N.A.	N.A.
Chongqing	494,608	1,846,295	3,998,632	1,178,093	392,226	134,941
Hangzhou	291,692	339,041	436,550	525,539	195,492	152,590

Source: CRIC

6. China Economic Indicators

(%/y)	2009	2010F	2011F
GDP	9.1	10.3	9.2
Real private consumption	9.6	9.9	10
Real gross fixed capital formation	19.3	10.6	9.7
Foreign direct investment(\$bn)	90	105	100
CPI inflation(y/y)	-0.7	3.3	5.3
One year lending rate(% , ye)	5.31	5.81	7.66
M2 money supply(ye)	27.6	19.7	16
Exports(\$bn)	1,200	1,576	1,763
- %y/y	-16	31.3	11.9
Imports(\$bn)	1,006	1,395	1,578
- %y/y	-11.2	38.6	13.1
Trade balance(\$bn)	193	181	186
Current account balance(\$bn)	297.1	306.2	294
as a % of GDP	6	5	4
USDRMB exchange rate(ye)	6.83	6.6	6.35

Latest forecast by Credit Suisse

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