



China Primary Land Development Industry Report, 2010

Mar. 2011

This report

- ◆ **Analyzes the drivers and business models of primary land development in China.**
- ◆ **Focuses on case study of primary land development in China.**
- ◆ **Highlights the real estate markets in key cities, such as Beijing , Shanghai and so on.**

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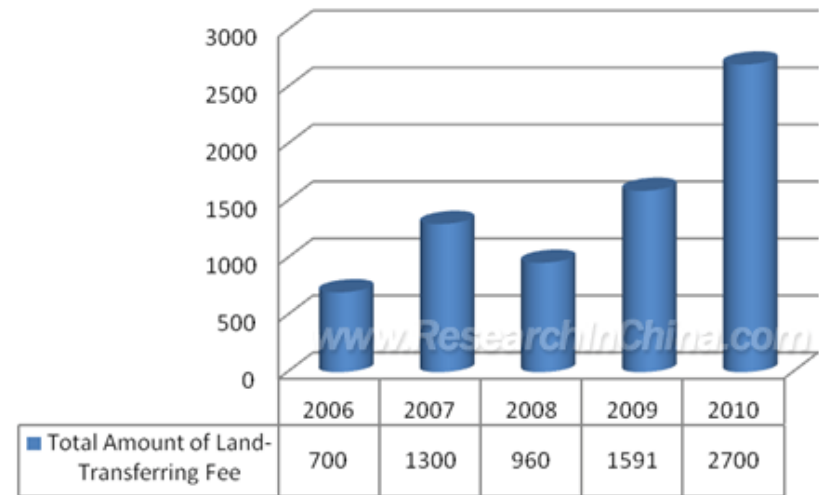
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Abstract

According to the notice about the Promoting of Special Action on Two Rectifications & One Reform and Responsibility Assignment unveiled by Ministry of Land and Resources of the People's Republic of China on September 10, 2010, from April 2011, the primary land development in China must follow enterprise-dominant pattern instead of previous state-owned land reserve center taking charge of development. According to the data provided by Ministry of Land and Resources of the People's Republic of China, the total amount of land-transferring fee in China reached RMB2.7 trillion in 2010, up 69.8% from a year earlier. Additionally, in 2009, the land development cost accounted for approximately 60% of the total land-transferring fee in the light of the data about expenditure details of the land-transferring fee published by Ministry of Finance of People's Republic of China.

Total Amount of Land-Transferring Fee in China, 2006-2010 (RMB bln)



Source: Ministry of Land and Resources of PRC;
ResearchInChina

Currently, the enterprise-dominant primary land development model consists of EPC (Engineering, Procurement, and Construction) mode, profit sharing mode, and linkage development pattern of primary and secondary land; wherein, EPC model is represented by Beijing. For instance, the enterprises that carry primary land development with their own funds should obtain a maximum profit at eight percent of development cost, according to the regulations issued by Beijing Municipal Government. However, such model featuring low profit margin is in fact not welcomed by property developers.

Profit-sharing is the most widely used pattern in primary land development. The income from primary land development deducting development cost will be divided into two parts for both enterprise and government, with premium ratio as usual 70% to the enterprise and 30% to the government, and sometimes 60% to 40% or half to half. What's remarkable is that, Xiamen C&D Inc.

sweeps as high as 85% of profit in primary land development projects in Xiamen city. Some enterprises apply both EPC and profit-sharing patterns as a combination in their cooperation with governments.

By applying linkage development pattern of primary and secondary land, enterprises can acquire more profits, but it requires much more investment and a longer period with higher risk than other patterns. Still, many real estate companies select this pattern. In addition to pursuing more profit, more and more secondary land developing enterprises shift their focus to primary land development due to the strict governmental control on secondary real estate market.

Modes and Investment Yields of Primary Land Development

Projects of Part of Domestic Listed Companies

Company Name	Project Location	Areas	Pattern of Land Development	ROI
Yunnan Metropolitan Real Estate Development Co., Ltd.	Kunming	30,000,000 sq.m.	totally development consist of primary and secondary development pattern	See Report
Zhong Tian Urban Development Group Co., Ltd.	Guiyang	3,750,000 sq.m.	totally development consist of primary and secondary development pattern	See Report
Zhong Nan Construction Group Co., Ltd.	Danzhou	3,000,000 sq.m.	Profit-sharing	See Report
Zhong Nan Construction Group Co., Ltd.	Haimen	1,860,000 sq.m.	Profit-sharing	See Report
Sichuan Gaojin Food Co., Ltd.	Yibin	1,320,000 sq.m.	Profit-sharing	See Report
Fujian Zhangzhou Development Co., Ltd.	Zhangzhou	683,000 sq.m.	EPC; Profit-sharing	See Report
Black Peony (Group) CO., Ltd.	Changzhou	2,250,000 sq.m.	EPC; Profit-sharing	See Report
Shenzhen Heung Kong Holding Co., Ltd.	Langfang	1,333,333 sq.m.	Profit-sharing	See Report
Xiamen C&D Inc.	Xiamen	700,000 sq.m.	Profit-sharing	See Report

Source: ResearchInChina

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