

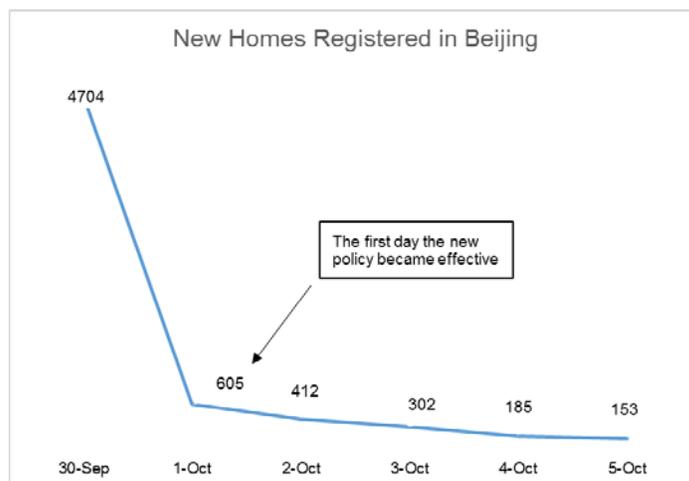
In Case You Missed It: CSOP's Weekly China Wrap-Up

Aviation Travel up 11.6% YoY during Weeklong National Holiday

According to the Civil Aviation Administration of China, nearly 10 million airline passengers flew during the 7-day National Holiday, up 11.6% YoY. ¹ Nationally, an average of 80% of flight seats were occupied during the Holiday, while popular cities like Shanghai, Beijing, Shenzhen and Hangzhou saw more than 90% occupancy. To accommodate the onslaught of travelers, 18.6% more flights were scheduled in 2016 compared to the 2015 holiday season. Taking advantage of the fervor, Singapore, Korea, Japan all launched promotions to attract Chinese tourists.

Beijing's Housing Policy Reform Brings Transactions to Standstill

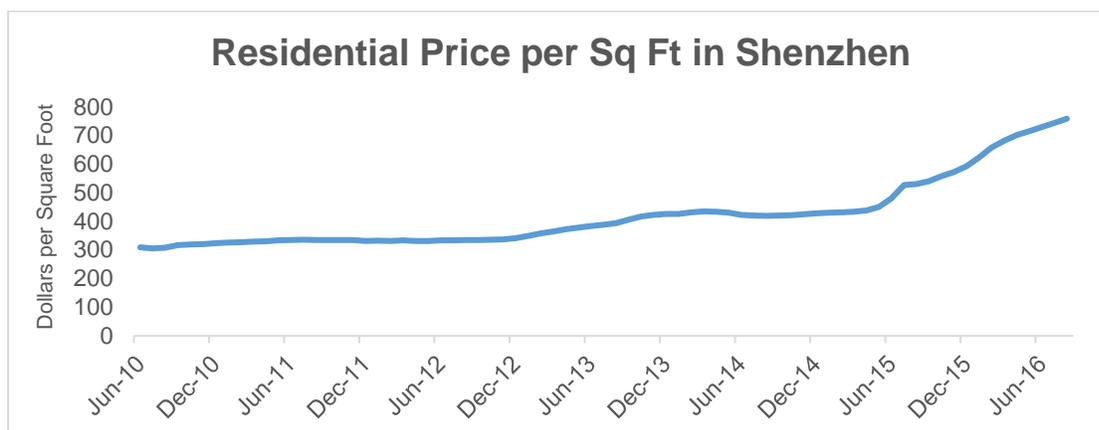
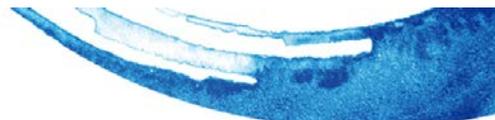
After Beijing announced last week's housing policy reform, transactions dropped significantly, falling from 4704 units on September 30th to 153 units on October 5, 2016. Although prices largely remained the same, the below chart illustrates the numerical significance of the cooling effect. Despite the precipitous drop, it is uncertain whether participants will stay out of the market long-term or are simply waiting to understand the policy's effects before resuming the purchasing spree. The next major signal of policy direction is expected at December's Central Economic Work Conference, during which Communist Party leaders will outline their strategic priorities and set their economic agenda for the following year.



Source: China National Bureau of Statistics, 10.6.2016

Shenzhen Announces Most Restrictive Property Market Tightening Policy

Although 21 cities across China have announced plans to tighten property markets, Shenzhen was reported to announce the most severe rules to dampen its overheated property market, which has seen housing prices jump by 27.9% YoY. In recent weeks, all of China's Tier-1 cities have announced rules to limit speculative home-buying.² The tables below compare these policies.



Source: Wind, as of 10.5.2016

Table 1: Home Purchase Restrictions in Tier-1 Cities

	Local Resident	Non-Local Resident	Minimum required years for paying tax or social security for non-local resident
Beijing	No more than 2 homes per family	No more than 1 home, given minimum required years for paying tax or social security are met	5 years (Effective from Apr 2010)
Shanghai			5 years (Effective from Mar 2016)
Shenzhen			5 years (Effective from Oct 2016)
Guangzhou			3 years (Effective from Nov 2013)

Source: TTTmoney, as of 10.5.2016

Table 2: Down Payment Ratio for First-Time Home Buyers in Tier-1 Cities

	Down payment ratio for residential mortgage of ordinary home*	Down payment ratio for residential mortgage of non-ordinary home*
Beijing	35% (Previously 30%)	40% (Previously 30%)
Shanghai	30%	40%
Shenzhen	30%	40%
Guangzhou	30%	30%

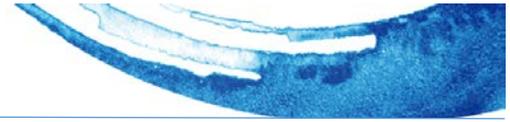
Note: "Ordinary home" refers to apartment smaller than 144 sq m or 1550 sq ft. Source: TTTmoney, as of 10.5.2016

Table 3: Down payment ratio for second-time home buyers in Tier-1 cities

	Down payment ratio for residential mortgage of ordinary home*	Down payment ratio for residential mortgage of non-ordinary home*
Beijing	50% (Previously 30%)	70% (Previously 50%)
Shanghai	50%	70%
Shenzhen	70% (Previously 40%)	70% (Previously 40%)
Guangzhou	70%	70%

Note: "Ordinary home" refers to apartment smaller than 144 sq m or 1550 sq ft. Source: TTTmoney, as of 10.5.2016

The views expressed represent an assessment of market conditions at a specific point in time, are opinions only and should not be relied upon as investment advice regarding a particular investment or markets in general. Such information does not constitute a recommendation to buy or sell specific securities or investment vehicles.



International Chinese M&A Transactions Jump 68% in 2016³

In response to central government pressure to purchase assets and technology abroad, the total value of M&A transactions by Chinese companies has jumped 68% in the first nine months of 2016, according to data by Dealogic. 601 deals were announced during the period, an increase of 36% YoY. Among the transactions, ChemChina's USD 46.7 billion acquisition of Syngenta represents China's largest outbound M&A deal ever.⁴ Outside of the real economy, the financial sector has also revealed the profitability of foreign deal-making. Although leading foreign investment banks saw shrinking revenue and staff reduction in Asia, Chinese investment firms recorded a 27% YoY increase in revenue for their homegrown advisory businesses.

Markets Close for Weeklong National Day Celebration

Despite the excitement of early October's RMB inclusion, China's markets were closed all week due to National Day.⁵ One of the country's biggest holidays, National Day was created by Mao Zedong in October 1949 to commemorate the founding of Communist China. Akin to the Fourth of July in the US, celebrants in mainland China, Hong Kong, and Macau gather in decorated public spaces for festive events replete with fireworks and concerts.

Other major holidays that bring market closures include the Lunar New Year, a multi-day holiday dedicated to visiting family and remembering ancestors. Also known as Spring Festival, the holiday is celebrated in January or February in accordance with the Lunar Calendar. Moreover, Labor Day is celebrated yearly on May 1 and results in a one-day closure of markets, reduced from three days in the years leading up to 2008.

Notes:

1. YoY: Year over year
2. Tier 1 City: City directly controlled by central government with GDP over \$US 300 billion and 15 million people
3. M&A: Merger & Acquisition
4. USD: US Dollar, the national currency of the United States
5. RMB: Renminbi, the national currency of China