ShanghaiDaily.com

Published on ShanghaiDaily.com (http://www.shanghaidaily.com/)
http://www.shanghaidaily.com/sp/article/2010/201004/20100427/article_435386.htm

Joint step to halt property asset bubble

Created: 2010-4-27 0:02:38
Author:Cherry Cao

CHINA'S securities regulator has joined forces with the land ministry to review fund-raising plans by real estate developers as part of increased efforts to prevent an asset bubble.

The China Securities Regulatory Commission has already sent requests for financing from 41 companies to the Ministry of Land and Resources which will review their land-use compliance, Xinhua news agency reported last Friday, citing a CSRC official.

Companies planning to invest in real estate through equity financing are subject to reviews by the ministry while those with a real estate business which are planning to pay back bank loans or boosting operating capital are also required to submit equity financing plans to the ministry, according to the CSRC.

The ministry will send its findings on the companies' financing plans to the CSRC after it has studied carefully whether land plots have been legally acquired and if these have been left idle. The ministry will also look at whether there have been delayed payments for the land and whether illegal changes were made to land use after the acquisition.

So far, initial reviews on 25 out of the 41 companies have already been done, the CSRC official said.

The joint cooperation by the CSRC and the land ministry will make it more difficult for real estate firms to get financing, Su Xuejing, chief real estate analyst at Changjiang Securities, told Securities Daily earlier. Su also believed that the review mechanism will be a regular, rather than a temporary, practice.

As of Sunday, 41 real estate developers listed on the country's two bourses have submitted their fund-raising applications to the CSRC to seek a total of 110 billion yuan (US$16.1 billion), compared to 44.2 billion yuan raised during the whole of 2009, according to Wind Info, one of China's major financial data and financial software providers.

Industry analysts predicted that most of these firms will likely receive approval for reduced fund-raising plans while some might fail to get the green light.