

For discussion
on 20 December 2011

**Legislative Council
Panel on Commerce and Industry**

Rent Allowance for Officers Posted to the Mainland and Taiwan

Purpose

This paper seeks Members' support for a proposal to rationalise the current system for rent allowance (RA) payable to officers posted to offices in the Mainland and Taiwan under the Constitutional and Mainland Affairs Bureau (CMAB) and on secondment to organisations in the Mainland and Taiwan.

The Current RA Arrangements for Officers Posted/Seconded to the Mainland and Taiwan

2. Currently, there are four Mainland Offices under CMAB, namely the Beijing Office (BJO), and the Hong Kong Economic and Trade Offices (ETOs) in Guangzhou, Chengdu and Shanghai (the Mainland Offices). The Hong Kong Economic, Trade and Cultural Office (HKETCO) under CMAB will be established in Taiwan within December this year. Apart from posting officers to these Mainland and Taiwan offices, currently some officers are also seconded to organisations in the Mainland¹.

3. Under the existing arrangements, all officers posted/seconded to the Mainland and Taiwan will receive an RA, which is payable on a reimbursement basis, to assist them to rent accommodation in the cities of posting/secondment. The RA rates, as approved by the Finance Committee (FC) or its delegated authority on individual case basis, represent the ceiling for reimbursement of

¹ The number of secondees, host cities and organisations vary over time. As at 30 November 2011, four officers are seconded to organisations in the Mainland, including the Flight Procedure Programme Office of the International Civil Aviation Organization (Beijing), the World Customs Organization Regional Intelligence Liaison Office for Asia & Pacific (Beijing), the Chinese People's Public Security University (Beijing) and the Hong Kong-Zhuhai-Macao Bridge Authority (Zhuhai).

accommodation expenses².

Review of the RA Mechanism

4. Whereas the ranking and the family status of the officers had been taken into account in determining RA rates for the Mainland Offices, the basis for determining such rates varied amongst different offices. When the BJO was set up in 1999, reference was made to information obtained by the Government Property Agency (GPA) on the prevailing rentals of residential units in Beijing for different ranks of executives and employees. When the Guangdong ETO was set up in 2002, the RA rates were determined having regard to the rentals of residential units in Guangzhou normally taken up by executive and managerial personnel of some major Hong Kong and international corporations as recommended by an independent consultant and on the advice of GPA. For the Shanghai ETO and Chengdu ETO set up in 2006, the RA rates were determined having regard to the relevant findings of accommodation surveys, accommodation standards in the respective host cities, information on the prevailing rentals of residential accommodation in appropriate areas normally taken up by expatriate executive and managerial personnel as advised by an independent consultant.

5. Due to the lack of a consistent and specific approach in rate adjustment, the RA rates have fallen out of step with changes in the rental market. Moreover, the structure of the RA rates differs amongst different cities of posting, with Guangdong ETO having three tiers of rate for officers of different family status (single/married/family) while BJO, Shanghai ETO and Chengdu ETO have two tiers of rate only.

Proposed RA Mechanism for Officers Posted/Seconded to the Mainland and Taiwan

6. In view of the above, we consider that there is merit in devising a mechanism to rationalise the RA system. In addition, while the specific RA rates for officers posted to the HKETCO have been approved by the FC on 18 November 2011, we need to draw up a review mechanism for the HKETCO. With reference to the newly devised system for RA payable to officers posted to overseas ETOs and on overseas secondments as endorsed by the FC on 18 July 2011, we have engaged an international consultant with expertise in the Mainland and Taiwan rental markets (CBRE HK Limited) (the consultant) to conduct a study on the mechanism for setting RA rates with a view to drawing

² Reimbursable items include rent, furniture rental and other mandatory charges such as management fees, and service charges where applicable. No provision will be made for utility costs like electricity, water and gas.

up a new system for the determination and adjustment of the RA rates for officers posted or on secondment to the Mainland and Taiwan. An executive summary of the consultancy report, including the objective and methodology of the study, is at **Annex 1**. Full copy of the report (English version only) is available at the secretariat of the Panel on Commerce and Industry.

7. The proposed new mechanism provides for a set of objective standards based on which all the RA rates are drawn up and covers all the ranks of officers in the civil service who may be posted/seconded to Mainland or Taiwan. The allowance will cover rent, furniture rental and other mandatory charges such as management fees and service charges where applicable. The consultant has made reference to the policies and broad standards of accommodation provided by major Hong Kong and multinational corporations to their expatriate executive and managerial personnel of comparable levels in the host cities and has drawn up a set of standards of accommodation for officers of different levels and family status. Based on these factors, the consultant has conducted accommodation surveys regarding selected residential districts and estates in the relevant cities and drawn up specific RA rates for officers of different levels and family status on the basis of validated residential property rental data. Two different rates of allowance, viz. single/married and family, for officers at different ranks are set out by the consultant to cater for different family circumstances. The rate of allowance is discrete for each level of seniority, viz. the family rate does not exceed the single/married rate of a more senior level.

8. In addition, Heads of Mainland and Taiwan offices have a representational role and may be required to host functions at home from time to time. In this connection, the consultant has proposed to include an uplift factor of 1.15 (i.e. an additional 15%) to their RA rates³. In drawing up this uplift factor, a consistent approach has been adopted to determine suitable standards of accommodation that befit the important role of the Heads of the Mainland and Taiwan offices in the respective city of posting. The rent, furniture rental and mandatory charges would need to be adjusted to reflect the typical costs commensurate with a property which is larger and of better quality.

9. If the proposed RA system is adopted, some rates will be reduced while others will be increased. A table showing the comparison of the existing and proposed RA rates is at **Annex 2**. To avoid undue hardship to those serving officers on their current tour who have already arranged their

³ Typically an employee receives an RA appropriate to his rank and family status. The uplift factor represents the combined adjustment needed to bring the allowances up to a level whereby these allowances would enable individuals to rent larger and better quality accommodation suitable for representation. The proposed uplift adjustment factor of 1.15 is in line with similar adjustment factors used by other governments and the adjustment factor applicable to the Heads of overseas ETOs.

accommodation in the cities of posting, we propose to grandfather their existing RA entitlement in the case where the RA rates have been reduced. The new rates would only apply to serving officers if they move from one residence to another. On the other hand, for cities where the RA rates have been increased, the new rates would only apply to serving officers if they are already paying rents higher than the existing rates or when they change residence. It is also proposed that the same arrangement should apply to future RA rate adjustments.

10. As rental markets are volatile, having regard to the options put forward by the consultant, we propose to review the RA rates for the Mainland and Taiwan annually with reference to city-specific rental indices⁴. Adjustment to the RA rates will be made for index movement equal to or greater than + or – 5%.⁵ We also propose to conduct a comprehensive review once every five years on top of the annual adjustment. For posting/secondment to offices or locations in the Mainland and Taiwan not covered in this paper, the RA rates will be determined based on the criteria and framework adopted in this consultancy study⁶. We further propose that the authority to approve the annual revisions to RA rates based on the city-specific rental indices and RA rates for new cities be delegated to the Secretary for Constitutional and Mainland Affairs regarding the offices in the Mainland and Taiwan under CMAB’s purview, and the Secretary for the Civil Service for other postings/secondments to the Mainland and Taiwan.

11. The proposed new system of determining and reviewing the RA rates mentioned in paragraphs 6 to 10 above is in line with the one approved by the FC at its meeting on 18 July 2011 for officers posted to overseas ETOs and on secondment to overseas organisations (vide FCR(2011-12)45).

⁴ We intend to use suitable city-specific rental indices provided by the consultant, other reputable consultants or local government authorities. The city-specific rental indices provide a consistent, simple and logical approach to the review of comparative housing standards on a yearly basis. The year-on-year rental market price differential is typically expressed in the form of a year-on-year city index or “change in the cost of rented accommodation” which provides an indicator of expatriate rental cost trends in a city. This index can be positive or negative, and will be used to compare against a threshold to determine if it is to be applied to the existing rates to establish allowances for the following year for all rank groups.

⁵ Where the index movement is equal to or greater than + or - 5%, the allowances should be adjusted accordingly. However, if the index is equal to or greater than + or - 10%, one should also make a note of the relevant location and closely monitor the changes over the next year. If the index movement in the following year is again equal to or greater than + or - 10%, a review of the allowances will be conducted rather than adjusting the allowances by the rental index.

⁶ With respect to the ongoing secondment to Zhuhai, we propose to apply the RA rates for Guangdong ETO, having regard to the proximity of the city of secondment to that Mainland Office.

Financial Implications

12. Based on the current setup of the Mainland Offices and the HKETCO, and the existing secondments to the Mainland, if the proposed RA rates are adopted, the total cost of the RA each year will be about \$15.98 million, representing a saving of about \$3.19 million per annum. We have included sufficient provision in the 2011-12 Estimates of Expenditure to meet the above costs.

Advice Sought

13. Members' advice is sought on the proposals in the paper. Subject to Members' views, we would seek the approval of FC on the proposed RA mechanism for officers posted/seconded to the Mainland and Taiwan in January 2012.

Constitutional and Mainland Affairs Bureau
Civil Service Bureau
December 2011

Review of Rent Allowance for Hong Kong-based Officers Posted to the Mainland and Taiwan

EXECUTIVE SUMMARY (EXTRACT FROM THE FINAL REPORT)

The Government of the Hong Kong Special Administrative Region as represented by the Permanent Secretary for Constitutional and Mainland Affairs (hereafter referred to as “the Government”) has appointed CBRE HK Limited (“CBRE”) to undertake a consultancy study (“the Study”) to review and update the rates of rent allowance for Hong Kong-based officers posted to the Mainland Offices; determine the rates of rent allowance applicable to Hong Kong-based officers posted to the Hong Kong Economic, Trade and Cultural Office in Taiwan (HKETCO); and recommend a rent allowance adjustment mechanism applicable to all concerned officers under the purview of the Constitutional and Mainland Affairs Bureau. The rates will also apply to officers on secondment to the Mainland and Taiwan.

Background to the Consultancy Study

The Government currently has four offices in the Mainland. They are the Beijing Office and three Economic and Trade Offices (ETOs) in Chengdu, Guangzhou and Shanghai (collectively the “Mainland Offices”). The Mainland Offices are staffed by both Hong Kong-based officers and locally engaged staff. All Hong Kong-based officers mentioned above are given rent allowance to meet their accommodation needs in the host cities, the rates of which are set on different basis, taking into account the rank of individual officers and their family status.

As the rates have been adopted for a number of years, the Government has appointed CBRE to review the existing rates to see if they are commensurate with the prevalent rental market situation in the respective Mainland cities. In addition, to prepare for the establishment of the HKETCO, it was necessary to establish rent allowance rates for the purpose. Another objective of the review exercise was to develop an objective system for future periodic revision of the rent allowance.

CBRE has undertaken a three-stage study to review and update the rates of rent allowance for Hong Kong-based officers posted to the Mainland and Taiwan Offices; and recommend a rent allowance adjustment mechanism applicable to all concerned officers. The study involved:

- **Stage 1:** Made reference to the policies and broad standards of accommodation provided by major Hong Kong organisations and multinational corporations.
- **Stage 2:** Recommended specific residential districts and specific rent allowance rates for Hong Kong-based officers in the Mainland Offices and the HKETCO.
- **Stage 3:** Recommended an appropriate mechanism for periodic revision of the rent allowance rates in the future.

Objectives of the Study

The Study has reviewed and updated/determined, as appropriate, the rates of rent allowance for Hong Kong-based officers posted or on secondment to the Mainland and Taiwan; and recommended a system for regularly revising the rates of rent allowance in the future.

Methodology

CBRE has developed the following methodology for the three-stage consultancy project:

Stage 1: Formulation of general parameters and standards

In formulating the general parameters and standards of the rental accommodation provided to Hong Kong-based officers posted or seconded to Mainland Offices and the HKETCO, CBRE has utilised local knowledge, property expertise as well as people connections to make observations on the policies and broad standards of accommodation for executive/managerial expatriates of major Hong Kong organisations and multinational corporations posted to the cities under study.

The observations were formed having regard to the following factors:

- Indicative salary levels of the expatriates;
- Household characteristics (single/married or family);
- Location of workplace and commuting distance;

- Suitability of residential areas (characteristics, neighbourhood for expatriates, security, infrastructure, availability of public transport, park/open space); and
- Accommodation types (apartment/house, typical flat sizes, number of bedrooms, availability of residential estates).

Based upon such observations, CBRE has proposed a set of generalised parameters and standards of the rental accommodation which are considered appropriate for Hong Kong-based officers stationed in the Mainland and Taiwan, with differentiations provided for officers at different levels in light of the status and requirements as determined by the Government for consideration. With the endorsement of the Government, the general standards and parameters provided a basis for the consequential recommendations of accommodation locations and rental rates.

CBRE has set the rent allowance rates for officers at six different levels, i.e. Group I, II, III, IV, V and VI, having regard to the office setup and commensurate with the ranks of the officers. For each level, there are two different rates of allowance, viz. single/married and family rate. The rates are set for officers at different ranks to match their family circumstances. CBRE has also suggested that the rates of rent allowance should be discrete for each level of seniority e.g. the family rate does not exceed the allowance for a single/married officer of a more senior level.

Stage 2a: Recommendation of suitable residential districts and estates

In order to establish the suitable residential districts for expatriates, CBRE has capitalised on the expertise and hands-on experience of local research teams and property brokers to identify the housing market segment typically for expatriates.

The residential estates have been recommended with reference to the norms and availability in the residential areas identified, bearing in mind the rank, family status and requirements of officers as determined by the Government. The standard, quality and style of accommodation are aligned with the prevailing characteristics of expatriate housing preferences in the cities.

In the Study, the consideration of market positioning has made reference to the relativity in the expatriate residential market of the particular city.

With the endorsement of the Government, the recommended residential districts and estates formed the basis for data collection.

Stage 2b: Recommendation of rent allowance rates

Based on the standards and parameters, as well as the recommended residential districts and estates, CBRE has compiled and collated a basket of rental information of leased flats available in the market during the period of August – October 2011. The rental data were then further analysed with respect to the officers' rankings/levels and family status.

In addition to the rent allowance rates, CBRE has also assessed the following items:

(i) Estimation of furniture allowances

The rent allowances are expected to reflect furnished accommodation practices. CBRE has made reference to the rental of furnished accommodation as far as possible. Where this was not possible, furniture allowance was made and estimated based on the rental average differential between furnished and unfurnished accommodation. The furnished properties are usually fitted out with major furniture items and equipped with appliances of quality and standard commensurate with the market positioning of the accommodation, whilst additional provisions of higher standard may require extra allowances which are not considered in the Study.

(ii) Estimation of other additional mandatory expenses

CBRE has also made descriptions on the lease terms and practices generally adopted in the market. The lease terms typically include the leasing tenure, frequency of rent payable, basis and frequency of rent review, option to renew and early termination. The practices in relation to the costs normally associated with letting flats have also been highlighted, such as car parking fees, management fees, housing/property taxes, deposit/key money, estate agent/brokerage fees and utilities.

In light of the respective market practices adopted in each city, provisions have been made in the rent allowances for additional mandatory costs related to rented accommodation. These include management and car parking fees. The management fees refer to the charges payable by all occupants for providing communal services such as security guards, cleaning

and maintenance of common areas and amenities, which vary from location to location. Provisions for car parking fees have also been generally included as a mandatory cost if it has not been included in the rental.

Utilities charges (e.g. gas, electricity and telephone/fax lines) and any other services charges (e.g. laundry services) which are ongoing non-mandatory costs were beyond the scope of the Study. Equally, one-off costs, including but not limited to deposit/key money and estate agent/brokerage fees were beyond the scope of the Study and not treated as part of rent allowances. No allowances were provided for these items. The mandatory costs were calculated as either a percentage of the monthly rent or as a flat fee as prescribed by local market norms.

(iii) Uplift factor for Heads of Offices Commensurate with their Status

There may be a need for the Heads of offices to host functions at home from time to time. In this regard, an uplift factor was considered necessary to be allowed in addition to the basic rent allowance.

The uplift factor was estimated by CBRE on the assumption of enhanced rental accommodation commensurate with the need of hosting hospitality. The uplift factor was calculated as a percentage on the rent allowance rates. The same uplift factor was applied to additional mandatory costs commensurate with enhanced accommodation.

Stage 3: Review of rent allowance mechanism

Various approaches for the review of rent allowance mechanism were proposed and analysed in Stage Three:

- (i) Maintaining the rent allowances for a fixed term; or
- (ii) Adjusting the rent allowances by city-specific rental indices (CBRE Residential Index and official housing inflation indices); or
- (iii) Updating the rent allowances by applying freshly researched market data; or
- (iv) Updating the rent allowances by a full review

Proposed Rent Allowances

CBRE's findings were presented in two tables for each city. One table lists out the general standards and parameters of the rental accommodation by

officer rank/grade (estimated distance from the office/organisation, market positioning, and size of residential premises) (see **Appendix A**). Another table summarises the proposed rent allowance rates for Hong Kong-based Officers Posted or Seconded to the Mainland and Taiwan (see **Appendix B**).

Uplift Factor for Heads of Offices Commensurate with Their Status

Typically relevant officers receive housing allowance appropriate to their ranking and family status. The uplift factor represents the combined adjustment required to bring up the allowance to a level whereby a suitable rented accommodation commensurate with their status can be provided. The uplift factor was estimated on the assumption of enhanced rented accommodation commensurate with the need of hosting hospitality:

- Size of rental accommodation: It is assumed that the standard of accommodation should be set for four bedroom properties for both single/married and family; and
- Quality of rental accommodation: The housing accommodation is of comparatively higher quality and standard and more upper-end residential districts/estates.

Based on the above assumption, the uplift factor was proposed as follows:

Group	Uplift Factor	Application
Group I to Group III	1.15	Calculated as a percentage of the total cost

The uplift factor will be applied to the total rental allowance (inclusive of additional allowance for furnishings and mandatory charges). The proposed uplift factor of 1.15 is a statistical average taken across all relevant cities of posting in the Mainland and Taiwan. For each city the cost of suitable premises for Heads of offices was assessed and compared with the standard rent allowances in determining the uplift factor. The adjustment factor of 1.15 is in keeping with similar adjustment factors used by other governments, and the existing adjustment factor applicable to Heads of the overseas ETOs and approved by the Finance Committee of the Legislative Council.

Review of Rent Allowance Mechanism

As one of the main objectives, this Study has proposed several objective mechanisms for periodic revision of the rent allowance rates in the future for different groups of officers posted or on secondment to the cities under study. Various proposed approaches have been outlined for the Government's consideration.

Option I: Maintain the rent allowances for a fixed term

This option proposes to maintain the rent allowances for a fixed term and conduct a review upon the expiry of every term. The length of the fixing period may be set from an administration or cost point of view. For instance, the rent allowances can be fixed at the beginning of the posting for three years or the tenure of the assignment, up to five years. This approach is commonly adopted by the organisations with staff posted out of the region for relatively short or specified terms.

Option II: Adjust the rent allowances by city-specific rental indices

Rather than fixing the rent allowance rates for a long period, interim revisions can be undertaken by simpler adjustment exercises between comprehensive and detailed reviews.

It would be desirable that the rental indices used for adjustment are derived from the same or similar target market segment on which the concerned rental allowance rates are based. While the availability of the rental indices varies from city to city, the time series of the rental price indices are usually on a quarterly or annual basis.

Option III: Update the rent allowances by applying freshly researched market data

Another approach is to conduct reviews by making reference to the updated market data based on the proposed standards and parameters at the time of interim reviews. With administration ease taken into consideration, annual reviews are recommended.

Option IV: Update the rent allowances by full review

A full review is conducted having regard to the general standard and parameters of rental accommodation for Hong Kong officers posted or seconded to the cities and the rental allowance rates regularly.

Criteria for setting standards of accommodation for officers of different levels and family status posted/seconded to the Mainland and Taiwan

Rank / Grade	Single / Married	Family
Group I (D6/D8)	3 bedroom Up to 25 km from office/organisation Upper-end of market	3 to 4 bedroom Up to 25 km from office/organisation Upper-end of market
Group II (D4/D5)	2 to 3 bedroom Up to 25 km from office/organisation Upper-end of market	3 to 4 bedroom Up to 25 km from office/organisation Upper-end of market
Group III (D1-D3)	2 to 3 bedroom Up to 25 km from office/organisation Upper to Medium-end of market	3 to 4 bedroom Up to 25 km from office/organisation Upper to Medium-end of market
Group IV (MPS 45-49; PPS 49-54a; GDS(O)33-39)	2 bedroom Up to 25 km from office/organisation Medium-end of market	2 to 3 bedroom Up to 25 km from office/organisation Medium-end of market
Group V (MPS28-44; PPS 30-48; GDS(O)14-32)	2 bedroom Up to 25 km from office/organisation Medium to Low-end of market	2 to 3 bedroom Up to 25 km from office/organisation Medium to Low-end of market
Group VI (MPS 27 & below; PPS 29 & below; GDS(O)13 & below)	1 to 2 bedroom Up to 25 km from office/organisation Low-end of market	2 to 3 bedroom Up to 25 km from office/organisation Low-end of market

The above general standards of accommodation notwithstanding, the consultant may take into account the special local circumstances of individual host cities.

Proposed Rent Allowance Rates for Hong Kong-based Officers

Group	Rank/ Grade	Family Status	Beijing (RMB / mth)	Chengdu (RMB / mth)	Guangzhou (RMB / mth)	Shanghai (RMB / mth)	Taipei (NTD / mth)
Group I	D6 – D8	Single/ Married	47,010	32,940	41,840	55,000	269,000
		Family	62,080	38,050	48,190	66,680	308,800
Group II	D4 – D5	Single/ Married	36,760	26,110	30,310	43,010	219,900
		Family	45,470	31,470	34,570	48,640	255,000
Group III	D1 – D3	Single/ Married	29,850	19,300	22,100	34,300	154,100
		Family	34,000	23,490	25,560	38,610	198,800
Group IV	MPS 45 – 49; PPS 49 - 54a; GDS(O) 33 – 39	Single/ Married	23,760	14,880	17,100	26,310	97,300
		Family	27,240	17,030	20,530	31,020	148,100
Group V	MPS 28 – 44; PPS 30 - 48; GDS(O) 14 – 32	Single/ Married	19,250	11,440	12,500	20,370	62,000
		Family	22,120	14,170	15,120	23,140	70,100
Group VI	MPS 27 & below; PPS 29 & below; GDS(O) 13 & below	Single/ Married	14,840	8,580	9,260	15,450	44,100
		Family	16,690	10,300	11,110	19,650	56,200

Posted/Seconded to the Mainland and Taiwan

The above rental allowance rates include mandatory costs, such as car parking fees and management fees, if applicable, and have not taken into account the uplift factor for representational role of Heads of offices.



**Constitutional and Mainland Affairs Bureau
Government Secretariat, The Government of
the Hong Kong Special Administrative Region**

Review of Rent Allowance for Hong Kong-based
Officers Posted to the Mainland and Taiwan

12 December 2011

(Ref: Consulting/HK361)

CBRE



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APPENDIX

- I. STANDARDS OF ACCOMMODATION FOR OFFICERS OF DIFFERENT LEVELS AND FAMILY STATUS

Introduction

1.0 INTRODUCTION

1.1 Background

The Government of the Hong Kong Special Administrative Region (HKSAR) currently has four offices in the Mainland. They are the Beijing Office and three Economic and Trade Offices (ETOs) in Chengdu, Guangzhou and Shanghai (collectively the “Mainland Offices”). The Mainland Offices are staffed by both Hong Kong-based officers and locally engaged staff.

All Hong Kong-based officers mentioned above are given rent allowance to meet their accommodation needs in the host cities (i.e. the city where the relevant Mainland Office is located), the rates of which are set on different basis, taking into account the rank of individual officers and their family status.

As the rates have been adopted for a number of years, the Government intends to review the existing rates to see if they are commensurate with the prevalent rental market situation in the respective Mainland cities. In addition, the Government will establish the Hong Kong Economic, Trade and Cultural Office in Taiwan (HKETCO) and requires information on rent allowance rates for Taipei for the purpose. Another objective of the review exercise is to develop an objective system for future periodic revision of the rent allowance.

Therefore the HKSAR Government as represented by the Permanent Secretary for Constitutional and Mainland Affairs (hereafter referred to as “the Government”) has appointed CBRE HK Limited (“CBRE”) to undertake a consultancy study (“the Study”) to review and update the rates of rent allowance for Hong Kong-based officers posted to the Mainland Offices; determine the rates of rent allowance applicable to Hong Kong-based officers posted to the HKETCO; and recommend a rent allowance adjustment mechanism applicable to all relevant offices under the purview of the Constitutional and Mainland Affairs Bureau. The rates will also apply to officers on secondment to the Mainland and Taiwan.

1.2 Objectives of the Study

The objectives of the assignment are to review and update/determine, as appropriate, the rates of rent allowance for Hong Kong-based officers posted or on secondment to the Mainland and Taiwan; as well as to develop a system for regularly revising the rates of rent allowance in the future.

1.3 Structure of the Study

The Study has been divided into three stages:

- (a) Stage One: make reference to the policies and broad standards of accommodation provided by major Hong Kong organisations and multi-national corporations for their expatriate executive/managerial personnel of comparable level stationed in the Mainland and Taiwan and draw up a set of general standards and parameters of accommodation for Hong Kong-based officers of different levels and family status posted or seconded to the Mainland and Taiwan. This will form the basis for the Stage Two task.

Introduction

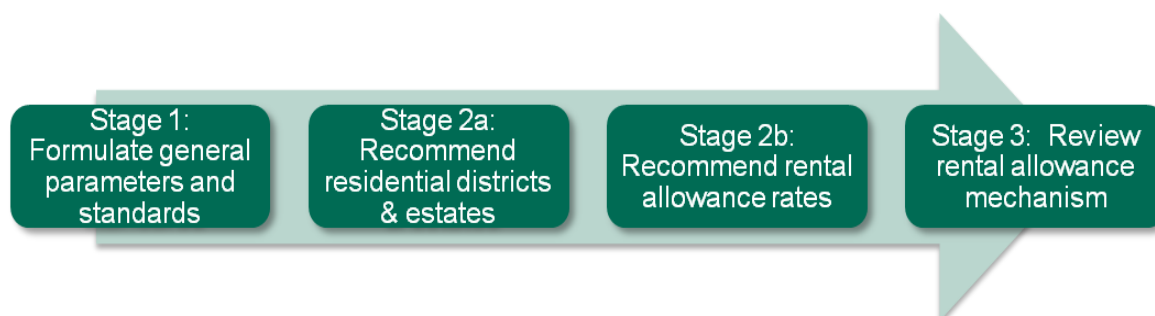
- (b) Stage Two: recommend specific residential districts and estates for data collection, and then base on the data so collected to draw up the specific rent allowance rates for each level and family status of Hong Kong-based officers for each Mainland Office in Beijing, Guangzhou, Shanghai and Chengdu and the HKETCO. The consultant will recommend an uplift factor for each city of posting to be applied to the Heads of offices having regard to their representational role and their need to host functions at home from time to time.
- (c) Stage Three: put up recommendations on an appropriate mechanism for periodic revision of the rent allowance rates in the future. The recommended mechanism should best be based on authoritative, simple and verifiable benchmarks.

Project Methodology

2.0 PROJECT METHODOLOGY

Methodology

To achieve the objectives of the Study, CBRE has developed the following methodology for the three-stage consultancy project:



Stage 1: Formulation of general parameters and standards

In formulating the general parameters and standards of the rental accommodation provided to Hong Kong-based officers posted or seconded to the Mainland and the Taiwan, CBRE has utilised local knowledge, property expertise as well as people connections to make observations on the policies and broad standards of accommodation for executive/managerial expatriates of major Hong Kong organisations and multinational corporations posted to the cities under study.

Our observations are formed having regard to the following factors:

- Indicative salary levels of the expatriates
- Household characteristics (single/married or family)
- Location of workplace and commuting distance
- Suitability of residential areas (characteristics, neighbourhood for expatriates, security, infrastructure, availability of public transport, park/open space)
- Accommodation types (apartment/house, typical flat sizes, number of bedrooms, availability of residential estates)

Based upon our observations, CBRE proposed a set of generalised parameters and standards of the rental accommodation which are considered appropriate for Hong Kong-based officers stationed in the Mainland and Taiwan, with differentiations provided for officers at different levels in light of the status and requirements as determined by the Government for consideration. With the endorsement of the Government, the general standards and parameters provide a basis for the consequential recommendations of accommodation location and rental rates.

CBRE will set the rent allowance rates for officers at six different levels, i.e. Group I, II, III, IV, V and VI as set out at the [Appendix](#), having regard to the office setup and commensurate with the ranks of the officers. For each level, there will be two different rates of allowance, viz. single/married and family rate. The rates are set for officers at different ranks to match their family circumstances. CBRE suggests that the rates of rent allowance should be discrete for each level of seniority e.g. the family rate must not exceed the allowance for a single/married officer of a more senior level.

Project Methodology

Stage 2a: Recommendation of suitable residential districts and estates

In order to establish the suitable residential districts for expatriates, CBRE has capitalised on the expertise and hands-on experience of local research teams and property brokers to identify the housing market segment typically for expatriates.

The residential estates are recommended with reference to the norms and availability in the residential areas identified, bearing in mind the rank, family status and requirements of officers as determined by the Government. The standard, quality and style of accommodation are aligned with the prevailing characteristics of expatriate housing preferences in the cities.

In the Study, the consideration of market positioning refers to the relativity in the expatriate residential market of the particular city. Expatriates tend to reside in higher quality residential estates, rather than low-cost or subsidised apartments that tend to accommodate local nationals.

With the endorsement of the Government, the recommended residential districts and estates would be the basis for data collection.

Stage 2b: Recommendation of rent allowance rates

Based on the standards and parameters, as well as the recommended residential districts and estates, CBRE compiles and collates a basket of rental information of leased flats available in the market during the period of August – October 2011. The rental data are then further analysed with respect to the officers' rankings/levels and family status.

It is noted that it is possible for the rental levels within an area to vary depending on building age, type and quality of the accommodation.

In addition to the rent allowance rates, we have also assessed the following items:

(i) Estimation of furniture allowances

CBRE understands that it is the intention of the Government to provide rent allowances which reflect furnished accommodation practices. CBRE makes reference to the rental of furnished accommodation as far as possible and where not possible, furniture allowance is made and estimated based on the rental average differential between furnished and unfurnished accommodation. The furnished properties are usually fitted out with major furniture items and equipped with appliances of quality and standard commensurate with the market positioning of the accommodation, whilst additional provisions of higher standard may require extra allowances which are not considered in the Study.

(ii) Estimation of other additional mandatory expenses

With CBRE's acquaintance with the leasing market of each city under study, CBRE is able to make descriptions on the lease terms and practices generally adopted in the market. The lease terms typically include the leasing tenure, frequency of rent payable, basis and frequency of rent review, option to renew and early termination. The practices in relation to the costs normally associated with letting flats are also highlighted, such as car parking fees, management fees, housing/property taxes, deposit/key money, estate agent/brokerage fees and utilities.

In light of the respective market practices adopted in each city, provisions are made in the rent allowances for additional mandatory costs related to rented accommodation. These include management and car parking fees. The management fees refer to the

Project Methodology

charges payable by all occupants for providing communal services such as security guards, cleaning and maintenance of common areas and amenities, which vary from location to location. Provisions for car parking fees are also generally included as a mandatory cost if it has not been included in the rental.

Whereas utilities charges (e.g. gas, electricity and telephone/fax lines), any other services charges (e.g. laundry services) which are ongoing non-mandatory costs are beyond the scope of the Study. Equally, one-off costs, including but not limited to, deposit/key money and estate agent/brokerage fees are beyond the scope of the Study and not treated as part of rent allowances, no allowances would be provided in these items. The mandatory costs tend to be calculated as either a percentage of the monthly rent or as a flat fee as prescribed by local market norms.

(iii) Uplift factor for Heads of Offices commensurate with their Status

It is understood that Heads of offices have a representational role and there may be a need for them to host functions at home from time to time.

In this regard, an uplift factor is considered necessary to be allowed in addition to the basic rent allowance.

The uplift factor is estimated on the assumption of enhanced rental accommodation commensurate with the need of hosting hospitality:

1. Size of rental accommodation: It is assumed that the standard of accommodation should be set for four bedroom properties for both single/married and family; and
2. Quality of rental accommodation: The rental accommodation is of comparatively higher quality and standard and more exclusive up-market residential districts/estates.

Based on the above assumption, the uplift factor is calculated as a percentage on the rent allowance rates. The same uplift factor is applied to additional mandatory costs commensurate with enhanced accommodation.

Stage 3: Review of rent allowance mechanism

Various approaches for the review of rent allowance mechanism are proposed and analysed in Stage Three.

- (i) Maintaining the rent allowances for a fixed term; or
- (ii) Adjusting the rent allowances by city-specific rental indices (CBRE Residential Index and official housing inflation indices); or
- (iii) Updating the rent allowances by applying freshly researched market data; or
- (iv) Updating the rent allowances by a full review

Review of reasonableness and acceptability of the recommended rent allowances

As a final and the most important stage, we monitor the quality of the deliverables and verify the trends and understanding of data gathered, as a further means for quality control.

The proposed rent allowances are reviewed by CBRE's local property experts and agents and compared against available rental information to ensure that the recommended rent allowances have duly reflected the current expatriates' rental market.

Project Methodology

Our findings are presented in two tables for each city summing up the city-specific assumptions. One table lists out the general standards and parameters of the rental accommodation by officer rank/grade (residential areas, estimated distance from the office/city centre, market positioning, suitable type and size of residential premises, mandatory charges and utilities practices). Another table provides a breakdown of total costs (rent allowances for furnished accommodation and additional mandatory cost e.g. management fees and car parking fees where applicable).

2.2 Data Collection and Research Methodology

CBRE, a Fortune 500 and S&P 500 company listed on the New York Stock Exchange and headquartered in Los Angeles, is the world's leading provider of diversified commercial real estate services. With a total of 12 full service offices in China, including Beijing, Chengdu, Guangzhou and Shanghai, and an office in Taipei, CBRE has developed a business platform and has extensive reach to the residential markets in the cities under study.

CBRE Consulting allocates professionals with specialist city and property sector knowledge as well as requisite experience and expertise to undertake the research and analysis associated with this study. For this assignment, we have tapped in the following local specialist teams for expertise and knowledge:

- CBRE Residential Services in China has built a successful track record in marketing residential projects and providing residential leasing services to the corporate market. We tap in the team's expertise in providing local information, including the prevailing rental trends and market practices. They have also interfaced with multinational corporate expatriates on a daily basis and therefore are fully abreast of their requirements and standards.
- CBRE Research has accumulated and maintained comprehensive databases for the residential markets in China and Taiwan. The team issues research publications on the residential sector on a quarterly basis, which provides up-to-date property market trends, including rental indices.

CBRE's databases include information and are based upon the knowledge, understanding and experience of the relevant professionals with regard to the development of the real estate market in China and Taiwan.

The databases held by CBRE are reinforced through interviews with local marketing agents, landlords/tenants and potential tenants, market observers in the relevant cities, as well as primary research within each city.

Beijing

3.0 BEIJING

3.1 Overview of Beijing



Source: CBRE

Beijing is the capital city of the People's Republic of China. It is situated in northern China and is adjacent to Tianjin Municipality to the southeast and Hebei Province to the north. It is the country's second-largest city with a population of 19.6 million¹. As one of the Four Great Ancient Capitals of China, Beijing has long been the political and cultural centre of the nation for centuries.

Beijing is a municipality directly under the Central People's Government and is divided into 14 urban and suburban districts and two rural counties (Miyun and Yanqing). The Beijing metropolis covers over 16,800 sq km of land. The Beijing Capital International Airport, located 32 km northeast of Beijing's city centre between the rural Shunyi District and Urban Chaoyang District, is the main international airport serving Beijing and has become the busiest airport in Asia in terms of passenger traffic and total traffic movements by 2009².

In the year 2010, the nominal GDP of Beijing increased by 10.2% to USD \$209.3 billion³, and the per capita GDP increased 13.7% to USD \$10,672. Chaoyang District⁴, the city's CBD, is also home to 117 Fortune Global 500 companies⁵. In 2009, the city's utilised FDI amounts to US \$6.1 billion⁶, an increase of 0.6% from the year before.

¹ National Bureau of Statistics of China, Census 2010

² Airports Council International

³ Beijing Municipal Bureau of Statistics

⁴ China Daily

⁵ National Bureau of Statistics of China, Census 2010

⁶ Beijing Statistical Yearbook 2010, Beijing Statistical Bureau

Beijing

3.2 General Standards and Parameters of Accommodation

With reference to policies and general standards of accommodation adopted by major Hong Kong organisations and multinational corporations for their managerial/executive personnel of comparable level, a set of general standards and parameters of accommodation for Hong Kong-based officers at six different levels, i.e. Groups I, II, III, IV, V and VI posted to the Beijing Office or on secondment to Beijing are set out below:

Rank/Grade	Family Size	Residential Districts	Distance from Beijing Office ⁷	Market Positioning ⁸	Suitable Type of Residential Premises (Furnished) ⁹	Mandatory Charges ¹⁰	Utilities Practice ¹¹
Group I (D6- D8)	Single/Married	Sanlitun (三里屯), East Third Ring (東三環), Jianguomenwai (建國門外), Central and East Chang'an (中、東長安街), CBD (中央商務區), Chaoyang Park (朝陽公園), Lido Area (麗都), Shunyi District (順義區)	Up to 15 km*	Upper-end	Average of 3 bedroom apartments and houses	Car Parking Fees	Utilities are not usually included in the rents
	Family	Sanlitun (三里屯), East Third Ring (東三環), Jianguomenwai (建國門外), Central and East Chang'an (中、東長安街), CBD (中央商務區), Chaoyang Park (朝陽公園), Lido Area (麗都), Shunyi District (順義區)	Up to 15 km*	Upper-end	Average of 3 to 4 bedroom apartments and houses	Car Parking Fees	Utilities are not usually included in the rents
Group II (D4/D5)	Single/Married	Sanlitun (三里屯), East Third Ring (東三環), Jianguomenwai (建國門外), Central and East Chang'an (中、東長安街), CBD (中央商務區), Chaoyang Park (朝陽公園), Lido Area (麗都), Shunyi District (順義區)	Up to 15 km*	Upper-end	Average of 3 bedroom apartments and houses	Car Parking Fees	Utilities are not usually included in the rents

⁷ Distance from the Office of the Government of the Hong Kong Special Administrative Region in Beijing at No. 71, Di'anmen Xidajie, Xicheng District, Beijing. * With the exception of Shunyi District which is about 25 km from the office.

⁸ The consideration of market positioning refers to the relativity in the expatriate residential market of the particular city.

⁹ There are other considerations on the choice of suitable premises for the expatriates, including: reasonable distance from the CBD; reasonable commuting time during peak hours; good property management; proximity to international schools, proximity to quality recreational and shopping facilities; large foreign community; and serene environment.

¹⁰ Management fees are usually included in the rental whilst one-off costs such as deposit/key money and estate agent/brokerage fees are excluded from the assessment. For the usual practice of specific cost items, please refer to section 3.4

¹¹ Utilities charges (e.g. gas, electricity and telephone/fax lines) and any other services charges (e.g. laundry services), are excluded from the rental assessment.

Beijing

Rank/Grade	Family Size	Residential Districts	Distance from Beijing Office ⁷	Market Positioning ⁸	Suitable Type of Residential Premises (Furnished) ⁹	Mandatory Charges ¹⁰	Utilities Practice ¹¹
	Family	Sanlitun (三里屯), East Third Ring (東三環), Jianguomenwai (建國門外), Central and East Chang'an (中、東長安街), CBD (中央商務區), Chaoyang Park (朝陽公園), Lido Area (麗都), Shunyi District (順義區)	Up to 15 km*	Upper-end	Average of 3 to 4 bedroom apartments and houses	Car Parking Fees	Utilities are not usually included in the rents
Group III (D1 – D3)	Single/Married	Sanlitun (三里屯), East Third Ring (東三環), Jianguomenwai (建國門外), Central and East Chang'an (中、東長安街), CBD (中央商務區), Chaoyang Park (朝陽公園), Lido Area (麗都), Shunyi District (順義區)	Up to 15 km*	Medium to Upper-end	Average of 2 to 3 bedroom apartments and houses	Car Parking Fees	Utilities are not usually included in the rents
	Family	Sanlitun (三里屯), East Third Ring (東三環), Jianguomenwai (建國門外), Central and East Chang'an (中、東長安街), CBD (中央商務區), Chaoyang Park (朝陽公園), Lido Area (麗都), Shunyi District (順義區)	Up to 15 km*	Medium to Upper-end	Average of 3 to 4 bedroom apartments and houses	Car Parking Fees	Utilities are not usually included in the rents
Group IV (MPS 45 – 49; PPS 49 - 54a; GDS(O) 33 – 39)	Single/Married	Sanlitun (三里屯), East Third Ring (東三環), Jianguomenwai (建國門外), Central and East Chang'an (中、東長安街), CBD (中央商務區), Chaoyang Park (朝陽公園), Lido Area (麗都)	Up to 15 km	Medium	2 bedroom apartments	Car Parking Fees	Utilities are not usually included in the rents
	Family	Sanlitun (三里屯), East Third Ring (東三環), Jianguomenwai (建國門外), Central and East Chang'an (中、東長安街), CBD (中央商務區), Chaoyang Park (朝陽公園), Lido Area (麗都)	Up to 15 km	Medium	Average of 2 to 3 bedroom apartments	Car Parking Fees	Utilities are not usually included in the rents
Group V (MPS 28 – 44; PPS 30 - 48; GDS(O) 14 - 32)	Single/Married	Sanlitun (三里屯), East Third Ring (東三環), Jianguomenwai (建國門外), Central and East Chang'an (中、東長安街), CBD (中央商務區), Chaoyang Park (朝陽公園), Lido Area (麗都)	Up to 15 km	Low to Medium	2 bedroom apartments	Car Parking Fees	Utilities are not usually included in the rents

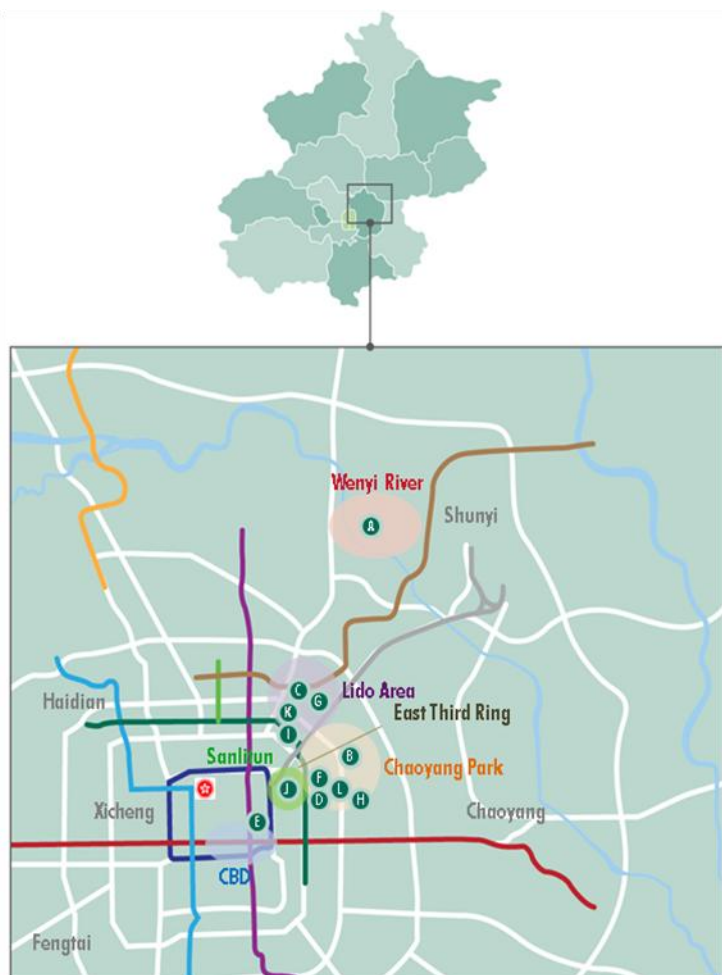
Beijing

Rank/Grade	Family Size	Residential Districts	Distance from Beijing Office ⁷	Market Positioning ⁸	Suitable Type of Residential Premises (Furnished) ⁹	Mandatory Charges ¹⁰	Utilities Practice ¹¹
	Family	Sanlitun (三里屯), East Third Ring (東三環), Jianguomenwai (建國門外), Central and East Chang'an (中、東長安街), CBD (中央商務區), Chaoyang Park (朝陽公園), Lido Area (麗都)	Up to 15 km	Low to Medium	Average of 2 to 3 bedroom apartments	Car Parking Fees	Utilities are not usually included in the rents
Group VI (MPS 27 & below; PPS 29 & below; GDS(O) 13 & below)	Single/Married	Sanlitun (三里屯), East Third Ring (東三環), Jianguomenwai (建國門外), Central and East Chang'an (中、東長安街), CBD (中央商務區), Chaoyang Park (朝陽公園), Lido Area (麗都)	Up to 15 km	Low	1 to 2 bedroom apartments	Car Parking Fees	Utilities are not usually included in the rents
	Family	Sanlitun (三里屯), East Third Ring (東三環), Jianguomenwai (建國門外), Central and East Chang'an (中、東長安街), CBD (中央商務區), Chaoyang Park (朝陽公園), Lido Area (麗都)	Up to 15 km	Low	2 to 3 bedroom apartments	Car Parking Fees	Utilities are not usually included in the rents

Beijing

3.3 Residential Districts and Estates

Based on the general standards and parameters set out above, several residential districts/areas and estates are identified as suitable places for Hong Kong-based officers posted or on secondment to Beijing. A brief overview of some of the selected districts is presented as follows:



Group	Ref	District/Area	Estate ¹²
I	A	Shunyi District (順義區)	Yosemite (優山美地, 順義後沙峪鎮榆陽路 4 號)
	B	Chaoyang Park (朝陽公園)	Forest Hills (東山墅, 朝陽東四環北路 7 號)
II	C	Lido Area (麗都)	Greenland Garden (嘉林花園別墅, 將台趙家村)
	D	Chaoyang Park (朝陽公園)	Beijing Golf Apartment (北京 GOLF 公寓, 朝陽公園南區西里 8 號)
III	E	CBD (中央商務區)	Royal Palace No.9 (貢院 9 號, 貢院西街 9 號)
	F	Chaoyang Park (朝陽公園)	No.9 Parkway Court (九號公寓, 朝陽公園西路 9 號)
IV	G	Lido Area (麗都)	Richmond Park (麗都水岸, 東風北橋北, 酒仙橋路甲 12 號)
	H	Chaoyang Park (朝陽公園)	Greenlake Place (觀湖國際, 東四環北路 88 號)
V	I	East Third Ring (東三環)	Phoenix City (鳳凰城, 曙光西里甲 5 號)
	J	Sanlitun (三里屯)	Chateau Edinburgh (富力愛丁堡, 白家莊路 1 號)
VI	K	Lido Area (麗都)	Upper East Side (陽光上東, 東四環北路 6 號)
	L	Chaoyang Park (朝陽公園)	Palm Springs (棕櫚泉國際公寓, 朝陽公園南路 8 號)

Location of Beijing Office

Source: CBRE

■ CBD/Jianguomen Area (中央商務區/建國門)

The CBD is undoubtedly the busiest area in the city and is featured by upper-end shopping malls, international designer label stores and hotels. Famous landmarks in the CBD include China World Trade Centers, Kerry Centre and the new CCTV Headquarters. Housing options here are mostly modern high-rise apartment buildings,

¹² The residential estates on the list/map are examples only, which are for indication of the geographical locations.

Beijing

with some of the famous residential estates include Fortune Heights (御金台), Central Park (新城國際) and Royal Palace No. 9 (貢院 9 號).

In terms of transportation, the third ring runs through the CBD area and connects to the airport expressway to the north. At peak hours, the subway is a more preferable means of transportation. Residents in the CBD area can take the Beijing Subway system to the rest of the city from Jianguomen Station, where Beijing Subway Line 1 and 2 cross.

■ Wenyu River - Shunyi District (溫榆河-順義區)

The suburban Shunyi is close by the Beijing Capital International Airport and has abundant supply of suitable houses for expatriate families. Some of the largest international schools are also located within the neighbourhood. The communities in the district have extensive club house facilities such as swimming pool, fitness centres and tennis courts. There are also patrolling guards for enhanced security. Aside from larger houses, there are also smaller townhouses for those who want to live in the suburbs for cleaner air and tranquillity. Restaurants, cafes and supermarkets are also conveniently located a short ride from the expatriate homes. An example of residential development is Yosemite (優山美地), Riviera (香江花園) and Lane Bridge (長島瀾橋).

■ Chaoyang Park Area and Sanlitun (朝陽公園 / 三里屯)

Chaoyang Park is located in the Chaoyang district and sits between the East Third and Forth ring roads, and is conveniently adjacent to the popular ever-developing Sanlitun Area.

Chaoyang Park itself is also one of the largest parks in Asia. The park offers beautiful landscaping and a blend of Chinese and western garden design. It is relatively quieter than other areas in the district. Housing here are mostly high-rise residential complexes such as Forest Hill (東山墅), Park Avenue (公園大道), Park Apartment (天安豪園) and Beijing Golf Apartment (北京 Golf 公寓). Most of these property developments have good management and clubhouse facilities, and are within 15 minute of subway stations.

High quality properties are also found between the second and third ring roads close to the Sanlitun area and between the third and fourth ring roads clustered around Chaoyang Park. Further north there is a concentration of upper-end condominiums located between the third ring road and just outside the fourth ring road near the Airport Expressway.

Beijing

3.4 Lease Terms and Market Practices

Lease terms and market practices are outlined as below:

Lease Terms	
Monthly Rent	<ul style="list-style-type: none"> Rents are quoted in RMB or USD (but payment is usually made in RMB), on a per month or quarter basis, excluding service charges, taxes and incentives.
Typical Lease Term	<ul style="list-style-type: none"> A typical lease term for residential properties of all sizes is one year. Shorter or longer length is negotiable. Some landlords prefer two-year leases for expatriate houses if the lease includes furniture purchases and custom renovations.
Frequency of Rent Payable	<ul style="list-style-type: none"> Payable monthly in advance.
Basis and Frequency of Rent Review	<ul style="list-style-type: none"> No rent reviews unless an option to review is agreed. Upon lease renewal or every one or two years.
Option to Renew	<ul style="list-style-type: none"> If a tenant wants to renew the tenancy, the tenant generally must inform the landlord two to three months prior to the expiration of the current lease.
Early Termination	<ul style="list-style-type: none"> The security deposit and the down payment might be forfeited unless the landlord has agreed to a break option in the tenancy agreement. The break option gives the tenant the right to terminate the lease without penalty. Landlords may ask for a rent premium to accept the break option.
Market Practices	
Car Parking Fees	<ul style="list-style-type: none"> The car parking fees vary from district to district depending on location. In general, the more expensive, the closer to the city centre. The car parking fee is generally not included in the monthly rent and is payable by the tenant.
Management Fees	<ul style="list-style-type: none"> In most cases the management fees are quoted in the rental price and landlords would clearly state how much they are and include them in the rental.
Housing/Property Taxes	<ul style="list-style-type: none"> The local government requires individual landlords to pay a 5% tax, on the rental income. There are cases that landlords may try to pass on the tax to tenants. This has been taken into account in drawing up the recommended rent allowance rates.

Beijing

Deposit/Key Money	<ul style="list-style-type: none"> • A deposit will typically be two months' rent. • A down payment or advance payment for one month's rent may also be required. • The landlord returns the security deposit subject to tenant returning the property and related appliances in good condition, and all related charges paid (subject to normal wear and tear). • The deposit will offset the last two months rental if requested by tenant and also agreed by landlord in the tenancy agreement. • The deposit may be also in the form of a Bank or Company Guarantee Letter.
Estate Agent/ Brokerage Fees	<ul style="list-style-type: none"> • Typically in the Mainland, the brokerage fee is one month's rent. • Depending on the estate agent used, the fee is split between the landlord and the tenant.
Utilities	<ul style="list-style-type: none"> • Utility costs are usually not included in the rent, although some apartments may include water, cable TV and internet charges. Heating is centrally provided to cities north of the Yangtze River, including Beijing. • In general, they are not covered by the rent and are payable by the tenant monthly.

Beijing

3.5 Rent Allowance Assessment

Based on the above analysis, the rent allowance assessment for different ranks/grades is proposed as follows:

Rank/Grade	Family Size	Rent Allowance (Furnished) (RMB/mth)	Mandatory Charges		Total Costs (RMB/mth)
			Car Parking (RMB/mth)	Management Fees (RMB/mth)	
Group I (D6- D8)	Single/ Married	45,510	1,500	Included in rent allowance	47,010
	Family	60,580	1,500	Included in rent allowance	62,080
Group II (D4/D5)	Single/ Married	35,260	1,500	Included in rent allowance	36,760
	Family	43,970	1,500	Included in rent allowance	45,470
Group III (D1 – D3)	Single/ Married	28,650	1,200	Included in rent allowance	29,850
	Family	32,800	1,200	Included in rent allowance	34,000
Group IV (MPS 45 – 49; PPS 49 - 54a; GDS(O) 33 – 39)	Single/ Married	22,760	1,000	Included in rent allowance	23,760
	Family	26,240	1,000	Included in rent allowance	27,240
Group V (MPS 28 – 44; PPS 30 - 48; GDS(O) 14 - 32)	Single/ Married	18,450	800	Included in rent allowance	19,250
	Family	21,320	800	Included in rent allowance	22,120
Group VI (MPS 27 & below; PPS 29 & below; GDS(O) 13 & below)	Single/ Married	14,040	800	Included in rent allowance	14,840
	Family	15,890	800	Included in rent allowance	16,690

Rent allowance rates are monthly costs quoted in RMB

Chengdu

4.0 CHENGDU

4.1 Overview of Chengdu



Source: CBRE

Chengdu is the capital of Sichuan province in Southwest China and holds a sub-provincial administrative status. The city has direct jurisdiction over 9 districts, 4 county-level cities and 6 counties, occupying a vast area of land of over 12,000 sq km, while the city's Metropolitan Area is about 2,129 sq km. The population of Chengdu is about 14.0 million¹³, according to China's Sixth National Census in 2010.

The city has been one of the most significant centres of economic, commerce, transportation and communication in Southwest China. Hailed as the "The Land of Abundance", Chengdu was ranked as the fourth most livable city in China by the China Daily and is increasingly becoming one of the most favorite cities for investment in China.

Operations commenced in October 2010, Chengdu Metro Line 1 is the first metro network in Chengdu and also the first in Western China. Six other metro lines are also planned to be completed over the next thirty years¹⁴. By 2020, the whole mass transit system is expected to carry 13.1 million commuters every day¹⁵. Such a rapid transportation development is a reaction to the central government's policies to accelerate development in the western part of China.

¹³ National Bureau of Statistics of China, Census 2010

¹⁴ <http://www.railway-technology.com/projects/chengdu-metro/>

¹⁵ <http://www.railway-technology.com/projects/chengdu-metro/>

Chengdu

4.2 General Standards and Parameters of Accommodation

With reference to policies and general standards of accommodation adopted by major Hong Kong organisations and multinational corporations for their managerial/executive personnel of comparable level, a set of general standards and parameters of accommodation for Hong Kong-based officers at six different levels, i.e. Groups I, II, III, IV, V and VI posted to the Chengdu ETO or on secondment to Chengdu are set out below:

Rank/Grade	Family Size	Residential Districts	Distance from Chengdu Office ¹⁶	Market Positioning ¹⁷	Suitable Type of Residential Premises (Furnished) ¹⁸	Mandatory Charges ¹⁹	Utilities Practice ²⁰
Group I (D6- D8)	Single/Married	Wuhou (武侯), Qingyang (青羊), Jinniu (金牛), Jinjiang (錦江), Shuangliu (雙流縣)	Up to 25 km	Upper-end	Average of 3 bedroom apartment and houses	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
	Family	Wuhou (武侯), Qingyang (青羊), Jinniu (金牛), Jinjiang (錦江), Shuangliu (雙流縣)	Up to 25 km	Upper-end	Average of 3 to 4 bedroom apartment and houses	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
Group II (D4/D5)	Single/Married	Wuhou (武侯), Qingyang (青羊), Jinniu (金牛), Jinjiang (錦江), Shuangliu (雙流縣)	Up to 25 km	Upper-end	Average of 3 bedroom apartments and houses	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
	Family	Wuhou (武侯), Qingyang (青羊), Jinniu (金牛), Jinjiang (錦江), Shuangliu (雙流縣)	Up to 25 km	Upper-end	Average of 3 to 4 bedroom apartments and houses	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
Group III (D1 – D3)	Single/Married	Wuhou (武侯), Qingyang (青羊), Jinniu (金牛), Jinjiang (錦江)	Up to 15 km	Medium to Upper-end	Average of 2 to 3 bedroom apartments and houses	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
	Family	Wuhou (武侯), Qingyang (青羊), Jinniu (金牛), Jinjiang (錦江)	Up to 15 km	Medium to Upper-end	Average of 3 to 4 bedroom apartments and houses	Car Parking Fees and Management Fees	Utilities are not usually included in the rents

¹⁶ Distance from the Hong Kong Economic and Trade Office in Chengdu at 38/F., Tower 1, Plaza Central, 8 Shuncheng Street, Yan Shi Kou, Chengdu.

¹⁷ The consideration of market positioning refers to the relativity in the expatriate residential market of the particular city.

¹⁸ There are other considerations on the choice of suitable premises for the expatriates, including: reasonable distance from the CBD; reasonable commuting time during peak hours; good property management; proximity to international schools, proximity to quality recreational and shopping facilities; large foreign community; and serene environment.

¹⁹ Management fees are usually not included in the rental whilst one-off costs such as deposit/key money and estate agent/brokerage fees are excluded from the assessment. For the usual practice of specific cost items, please refer to section 4.4.

²⁰ Utilities charges (e.g. gas, electricity and telephone/fax lines) and any other services charges (e.g. laundry services), are excluded from the rental assessment.

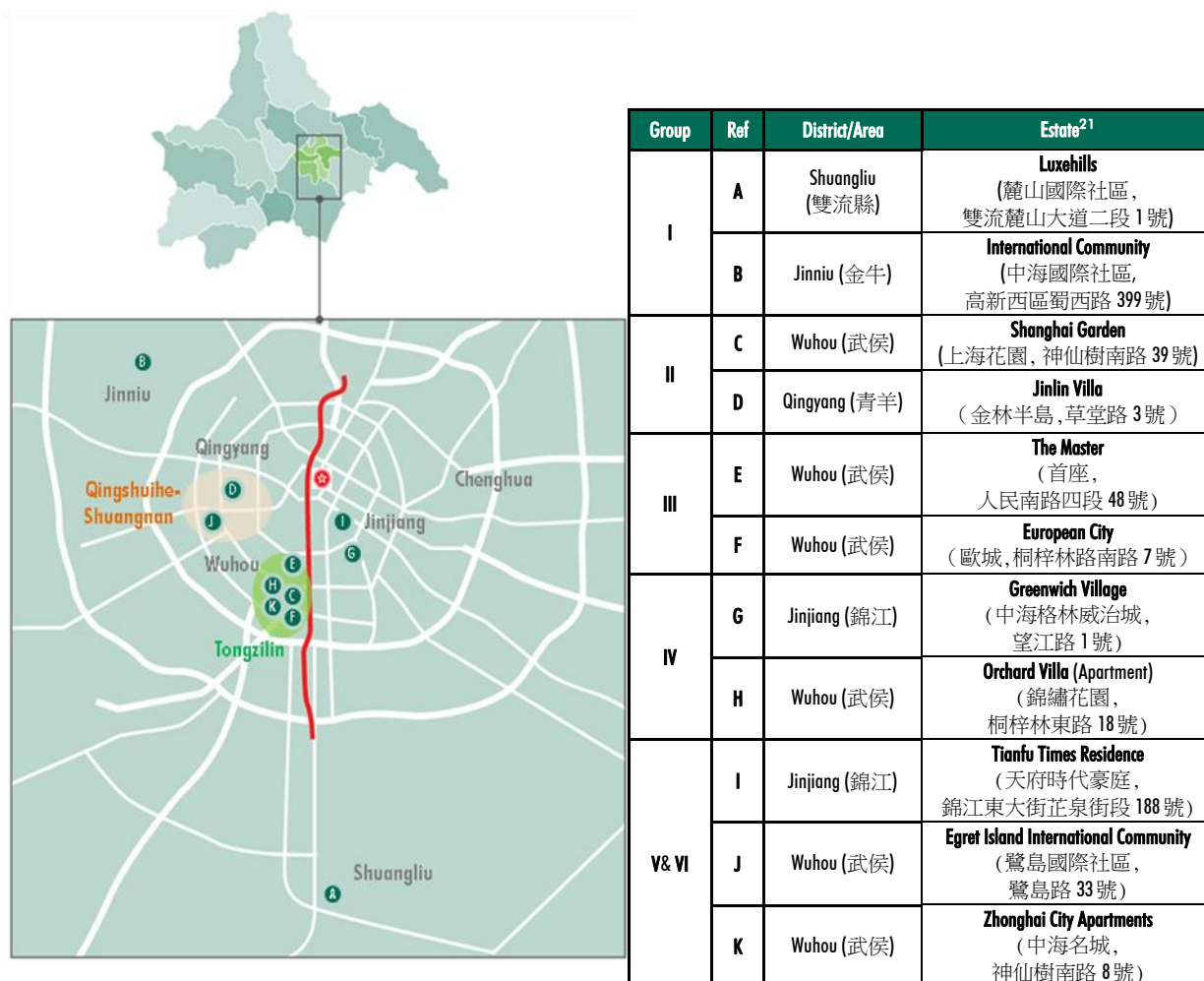
Chengdu

Rank/Grade	Family Size	Residential Districts	Distance from Chengdu Office ¹⁶	Market Positioning ¹⁷	Suitable Type of Residential Premises (Furnished) ¹⁸	Mandatory Charges ¹⁹	Utilities Practice ²⁰
Group IV (MPS 45 – 49; PPS 49 - 54a; GDS(O) 33 – 39)	Single/ Married	Wuhou (武侯), Qingyang (青羊), Jinniu (金牛), Jinjiang (錦江)	Up to 15 km	Medium	2 bedroom apartments	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
	Family	Wuhou (武侯), Qingyang (青羊), Jinniu (金牛), Jinjiang (錦江)	Up to 15 km	Medium	Average of 2 to 3 bedroom apartments	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
Group V (MPS 28 – 44; PPS 30 - 48; GDS(O) 14 - 32)	Single/ Married	Wuhou (武侯), Qingyang (青羊), Jinniu (金牛), Jinjiang (錦江)	Up to 15 km	Low to Medium	2 bedroom apartments	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
	Family	Wuhou (武侯), Qingyang (青羊), Jinniu (金牛), Jinjiang (錦江)	Up to 15 km	Low to Medium	Average of 2 to 3 bedroom apartments	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
Group VI (MPS 27 & below; PPS 29 & below; GDS(O) 13 & below)	Single/ Married	Wuhou (武侯), Qingyang (青羊), Jinniu (金牛), Jinjiang (錦江)	Up to 15 km	Low	1 to 2 bedroom apartments	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
	Family	Wuhou (武侯), Qingyang (青羊), Jinniu (金牛), Jinjiang (錦江)	Up to 15 km	Low	2 to 3 bedroom apartments	Car Parking Fees and Management Fees	Utilities are not usually included in the rents

Chengdu

4.3 Residential Districts and Estates

Based on the general standards and parameters set out above, several residential districts/areas and estates are identified as suitable places for Hong Kong-based officers posted or on secondment to Chengdu. A brief overview of the selected districts is provided as follows:



 Location of Chengdu Office

Source: CBRE

²¹ The residential estates on the list/map are examples only, which are for indication of the geographical locations.

Chengdu

■ Wuhou (武侯)

Wuhou is one of the five core districts located in the southwestern part of Chengdu. It is adjacent to Jinjiang and Qingyang to its north and Shuangliu to its southwest. Landmark developments include Wuhou Temple, Wangzhang Tower and Tiaosanta Computer City. In particular, Renmin Road South in the district is regarded as one of the important economic, information technology and education hubs in Chengdu, whilst Lingshiguan (Consulate) Road attracts most foreign consulates to establish offices. Zijing sub-area has abundant supply of high-class hotels, restaurants, and retail shops catering for shopping, entertaining and dining needs of the community.

The residential developments in Wuhou are predominantly high-rise high quality residential apartments of large-scale developed by a large number of developers, coupled with recreational facilities and quality property management. Examples of notable residential developments are Utopia (觀南上域), The Master (首座), European City (歐城), Gloria Regent Garden (凱萊帝景花園) and Shanghai Garden (上海花園).

■ Qingyang (青羊)

Qingyang is one of the core districts situated in the central/western part of Chengdu. It is adjacent to Wuhou and Jinniu. The district is a place of political and military significance where the government is situated. Well-served by metro network, the district is regarded as a cultural, commercial and business hub in Chengdu where landmark office buildings and hotels are widespread.

The residential developments in Qingyang are predominantly high-rise high quality residential apartments/houses of large-scale developed by a large number of developers, coupled with recreational facilities and quality property management. An example of notable residential development is Jinlin Villa (金林半島).

■ Jinjiang (錦江)

Jinjiang is situated in the southeastern part of Chengdu. The district is one of the busiest areas in Chengdu and renowned for its shopping, entertainment and leisure provisions where large-scale shopping malls and commercial complexes can be found.

The residential developments in Jinjiang are predominantly high-rise residential apartments of large-scale developed by a large number of developers. Examples of notable residential development include Tianfu Times Residence (天府時代豪庭), Greenwich Village (中海格林威治城) and The Waterfront (鄰江峰閣).

Chengdu

4.4 Lease Terms and Market Practices

Lease terms and market practices are outlined as below:

Lease Terms	
Monthly Rent	<ul style="list-style-type: none"> Rents are quoted in RMB on a per month basis, excluding service charges, taxes and incentives.
Typical Lease Term	<ul style="list-style-type: none"> A typical lease term for residential properties of all sizes is one year. Shorter or longer length is negotiable. Some landlords prefer two-year leases for expatriate houses if the lease includes furniture purchases and custom renovations.
Frequency of Rent Payable	<ul style="list-style-type: none"> Payable monthly in advance.
Basis and Frequency of Rent Review	<ul style="list-style-type: none"> No rent reviews unless an option to review is agreed. Upon lease renewal or every one or two years.
Option to Renew	<ul style="list-style-type: none"> If a tenant wants to renew the tenancy, the tenant generally must inform the landlord two to three months prior to the expiration of the current lease.
Early Termination	<ul style="list-style-type: none"> The security deposit and the down payment might be forfeited unless the landlord has agreed to a break option in the tenancy agreement. The break option gives the tenant the right to terminate the lease without penalty. Landlords may ask for a rent premium to accept the break option.
Market Practices	
Car Parking Fees	<ul style="list-style-type: none"> The car parking fees vary from district to district depending on location. In general, the more expensive, the closer to the city centre. The car parking fee is generally not included in the monthly rent and is payable by the tenant.
Management Fees	<ul style="list-style-type: none"> Generally speaking, management fees are not included in rents.
Housing/Property Taxes	<ul style="list-style-type: none"> The local government requires individual landlords to pay a 5% tax, on the rental income. There are cases that landlords may try to pass on the tax to tenants. This has been taken into account in drawing up the recommended rent allowance rates.
Deposit/Key Money	<ul style="list-style-type: none"> A deposit will typically be two months' rent. A down payment or advance payment for one month's rent may also be required. The landlord returns the security deposit subject to tenant returning the property and related appliances in good condition, and all related charges paid (subject to normal wear and tear). The deposit may be also in the form of a Bank or Company Guarantee Letter.
Estate Agent/ Brokerage Fees	<ul style="list-style-type: none"> Typically in the Mainland, the brokerage fee is one month's rent. Depending on the estate agent used, the fee is split between the landlord and the tenant.

Chengdu

Utilities	<ul style="list-style-type: none">• Utility costs are not usually included in the rent, although some apartments may include water, cable TV and internet charges.• In general, they are not covered by the rent and are payable by the tenant monthly.
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Chengdu

4.5 Rent Allowance Assessment

Based on the above analysis, the rent allowance assessment for different rank/grades is proposed as follows:

Rank/Grade	Family Size	Rent Allowance (Furnished) (RMB/mth)	Mandatory Charges		Total Costs (RMB/mth)
			Car Parking (RMB/mth)	Management Fees (RMB/mth)	
Group I (D6- D8)	Single/ Married	31,470	500	970	32,940
	Family	36,290	500	1,260	38,050
Group II (D4/D5)	Single/ Married	24,910	400	800	26,110
	Family	30,030	400	1,040	31,470
Group III (D1 – D3)	Single/ Married	18,450	350	500	19,300
	Family	22,550	350	590	23,490
Group IV (MPS 45 – 49; PPS 49 - 54a; GDS(O) 33 – 39)	Single/ Married	14,150	350	380	14,880
	Family	16,200	350	480	17,030
Group V (MPS 28 – 44; PPS 30 - 48; GDS(O) 14 - 32)	Single/ Married	10,760	350	330	11,440
	Family	13,430	350	390	14,170
Group VI (MPS 27 & below; PPS 29 & below; GDS(O) 13 & below)	Single/ Married	8,000	300	280	8,580
	Family	9,640	300	360	10,300

Rent allowance rates are monthly costs quoted in RMB

Guangzhou

5.0 GUANGZHOU

5.1 Overview of Guangzhou



Source: CBRE

Guangzhou is the capital city of the Guangdong Province and is located on the Pearl River in southern China. Guangzhou is about 120 km north of Hong Kong and also holds a sub-provincial administrative status like Chengdu.

Guangzhou's population reaches 12.78 million as of the 2010 census²², making the city the third largest city in China and the largest in southern China. Guangzhou has over ten districts and two county-level cities. The total area under Guangzhou's administration is 7,434 sq km. Transportation network, via train or bus, between Guangzhou and Hong Kong is well-developed. At present, a train ride from Hung Hom station to Guangzhou East Railway Station takes less than two hours on Guangdong Through Train. The planned Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL), which is due to complete by 2016, will further reduce the travel time to less than 50 minutes.

²² National Bureau of Statistics of China, Census 2010

Guangzhou

5.2 General Standards and Parameters of Accommodation

With reference to policies and general standards of accommodation adopted by major Hong Kong organisations and multinational corporations for their managerial/executive personnel of comparable level, a set of general standards and parameters of accommodation for Hong Kong-based officers at six different levels, i.e. Groups I, II, III, IV, V and VI posted to the Guangdong ETO or on secondment to Guangzhou are set out below:

Rank/Grade	Family Size	Residential Districts	Distance from Guangzhou Office ²³	Market Positioning ²⁴	Suitable Type of Residential Premises (Furnished) ²⁵	Mandatory Charges ²⁶	Utilities Practice ²⁷
Group I (D6- D8)	Single/ Married	Tianhe (天河) ²⁸ , Ersha Island (二沙島), Downtown-Yuexiu (市中心-越秀), Haizhu (海珠) ²⁹ , Baiyun (白雲)	Up to 10 km	Upper-end	Average of 3 bedroom apartments and houses	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
	Family	Tianhe (天河), Ersha Island (二沙島), Downtown-Yuexiu (市中心-越秀), Haizhu (海珠), Baiyun (白雲)	Up to 10 km	Upper-end	Average of 3 to 4 bedroom apartments and houses	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
Group II (D4/D5)	Single/ Married	Tianhe (天河), Ersha Island (二沙島), Downtown-Yuexiu (市中心-越秀), Haizhu (海珠), Baiyun (白雲)	Up to 10 km	Upper-end	Average of 3 bedroom apartments and houses	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
	Family	Tianhe (天河), Ersha Island (二沙島), Downtown-Yuexiu (市中心-越秀), Haizhu (海珠), Baiyun (白雲)	Up to 10 km	Upper-end	Average of 3 to 4 bedroom apartments and houses	Car Parking Fees and Management Fees	Utilities are not usually included in the rents

²³ Distance from the Hong Kong Economic and Trade Office in Guangzhou: Flat 7101, Citic Plaza, 233 Tian He North Road, Guangzhou.

²⁴ The consideration of market positioning refers to the relativity in the expatriate residential market of the particular city.

²⁵ There are other considerations on the choice of suitable premises for the expatriates, including: reasonable distance from the CBD; reasonable commuting time during peak hours; good property management; proximity to international schools, proximity to quality recreational and shopping facilities; large foreign community; and serene environment.

²⁶ Management fees are usually not included in the rental whilst one-off costs such as deposit/key money and estate agent/brokerage fees are excluded from the assessment. For the usual practice of specific cost items, please refer to section 5.4.

²⁷ Utilities charges (e.g. gas, electricity and telephone/fax lines) and any other services charges (e.g. laundry services), are excluded from the rental assessment.

²⁸ Tianhe includes Pearl River New City (珠江新城).

²⁹ Only the Binjiang Road East (濱江東路) of Haizhu is considered in this Study.

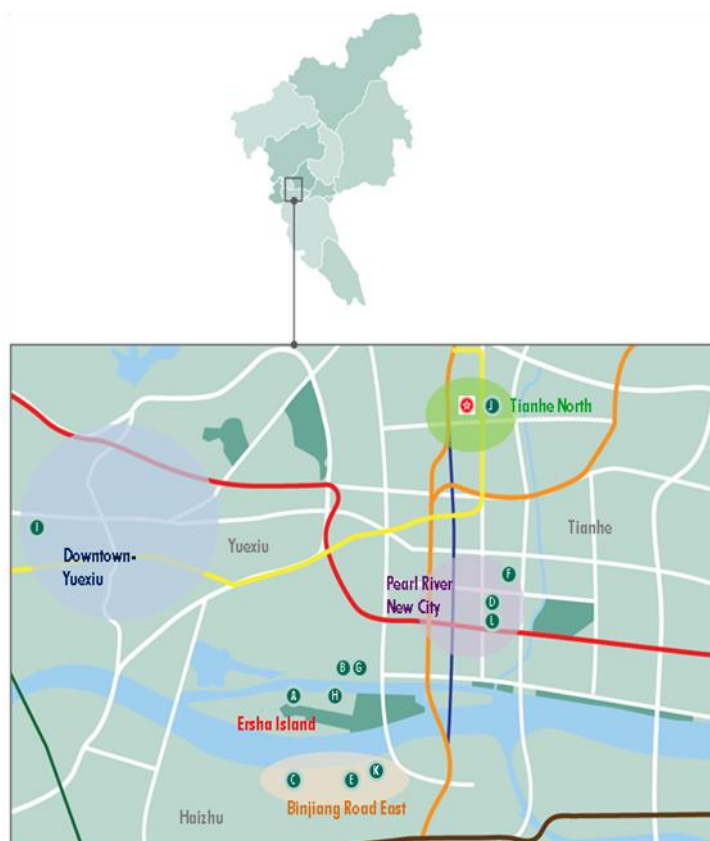
Guangzhou

Rank/Grade	Family Size	Residential Districts	Distance from Guangzhou Office ²³	Market Positioning ²⁴	Suitable Type of Residential Premises (Furnished) ²⁵	Mandatory Charges ²⁶	Utilities Practice ²⁷
Group III (D1 – D3)	Single/ Married	Tianhe (天河), Ersha Island (二沙島), Downtown-Yuexiu (市中心-越秀), Haizhu (海珠), Baiyun (白雲)	Up to 10 km	Medium to Upper-end	Average of 2 to 3 bedroom apartments and houses	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
	Family	Tianhe (天河), Ersha Island (二沙島), Downtown-Yuexiu (市中心-越秀), Haizhu (海珠), Baiyun (白雲)	Up to 10 km	Medium to Upper-end	Average of 3 to 4 bedroom apartments and houses	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
Group IV (MPS 45 – 49; PPS 49 - 54a; GDS(O) 33 – 39)	Single/ Married	Tianhe (天河), Ersha Island (二沙島), Downtown-Yuexiu (市中心-越秀), Haizhu (海珠), Baiyun (白雲)	Up to 10 km	Medium	2 bedroom apartments	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
	Family	Tianhe (天河), Ersha Island (二沙島), Downtown-Yuexiu (市中心-越秀), Haizhu (海珠), Baiyun (白雲)	Up to 10 km	Medium	Average of 2 to 3 bedroom apartments	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
Group V (MPS 28 – 44; PPS 30 - 48; GDS(O) 14 - 32)	Single/ Married	Tianhe (天河), Ersha Island (二沙島), Downtown-Yuexiu (市中心-越秀), Haizhu (海珠), Baiyun (白雲)	Up to 10 km	Low to Medium	2 bedroom apartments	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
	Family	Tianhe (天河), Ersha Island (二沙島), Downtown-Yuexiu (市中心-越秀), Haizhu (海珠), Baiyun (白雲)	Up to 10 km	Low to Medium	Average of 2 to 3 bedroom apartments	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
Group VI (MPS 27 & below; PPS 29 & below; GDS(O) 13 & below)	Single/ Married	Tianhe (天河), Ersha Island (二沙島), Downtown-Yuexiu (市中心-越秀), Haizhu (海珠), Baiyun (白雲)	Up to 10 km	Low	1 to 2 bedroom apartments	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
	Family	Tianhe (天河), Ersha Island (二沙島), Downtown-Yuexiu (市中心-越秀), Haizhu (海珠), Baiyun (白雲)	Up to 10 km	Low	2 to 3 bedroom apartments	Car Parking Fees and Management Fees	Utilities are not usually included in the rents

Guangzhou

5.3 Residential Districts and Estates

Based on the general standards and parameters set out above, several residential districts/areas and estates are identified as suitable places for Hong Kong-based officers posted or on secondment to Guangzhou. The following provides an overview of the selected districts/areas and samples of appropriate residential estates:



Group	Ref	District/Area	Estate ³⁰
I	A	Ersha Island (二沙島)	New World Riverside Villa (新世界花園別墅, 二沙島第14區)
	B	Tianhe (天河)	Victory Garden (凱旋會, 廣州大道中明月一路11-23號)
II	C	Haizhu (海珠)	Golden Bay (金海灣, 濱江東路555號)
	D	Tianhe (天河)	The Apex (領峰, 珠江新城金穗路與洗村路交匯處)
III	E	Haizhu (海珠)	Top Gate (中信君庭, 濱江東路中大北門以東)
	F	Tianhe (天河)	The Cosmos (譽峰, 珠江新城金穗路711號)
IV	G	Tianhe (天河)	Han Palace (漢苑, 五羊新城明月一路59號)
	H	Ersha Island (二沙島)	Gold Arch Riverdale (金亞花園, 二沙島三區琶洲街)
V	I	Downtown-Yuexiu (市中心-越秀)	The Summit International Apartment (尚峰國際公寓, 北京路374號之二)
	J	Tianhe (天河)	Castle Peak (富力天河華庭, 天河北路林和東華庭路)
VI	K	Haizhu (海珠)	Zhonghai Glorious Garden (中海錦苑, 濱江東路廣州大橋西側)
	L	Tianhe (天河)	Jumeriah Living Apartment (朱美拉公寓, 洗村路16號)

 Location of Guangzhou Office

Source: CBRE

³⁰ The residential estates on the list/map are examples only, which are for indication of the geographical locations.

Guangzhou

■ Tianhe (天河) / Pearl River New City (珠江新城)

The Tianhe area houses some of the city's landmark structures, such as Citic Plaza and Guangzhou International Finance Center. The neighbourhood features a high-class commercial downtown and upscale real estates. TaikooHui, a recently completed retail, shopping and hotel complex developed by Swire Properties, is also located within the area. Residential buildings here include Top View (中海觀園), Central Park-view (凱旋新世界), Starry Winking (星匯雲錦), Beaumonde (天河新作), Poly Champagne Garden (保利香檳花園), Castle Peak (富力天河華庭) and The Cosmos (譽峰).

Guangzhou government has announced to develop Pearl River New City as the new official central business district similar to Pudong in Shanghai by 2050, replacing the traditional one in Yuexiu. An example of residential buildings in Downtown-Yuexiu is The Summit International Apartment (尚峰國際公寓).

Both areas are well served by public transportation and in close proximity to subway stations. Tianhe is also close to Tianhe East Station, which is the station for the through train to Hong Kong.

■ Ersha Island (二沙島)

Ersha Island, an island in the middle of the flowing Pearl River, sits between Haiyin Bridge and Guangzhou Bridge. The neighbourhood features some of the most modernistic architectures, such as the Guangdong Museum of Art and the Xinghai Concert Hall, and beautiful landscapes in the city. The American International School of Guangzhou on the island is also an important addition to cater to the international communities. The majority of the island residents are expatriates or personnel from multinational corporations. Conveniently located at the centre of the city, Ersha Island is just minutes driving distance away from the city's new business district – Pearl River New City. Driving is the main mode of transportation since the Guangzhou Metro network has yet to cover the Island.

An example of notable housing estate in this area is New World Riverside Villa (新世界花園別墅) and Gold Arch Riverdale (金亞花園).

■ Haizhu (海珠)

Haizhu mainly covers Binjiang Road East (濱江東路) which is situated on the river banks of the flowing Pearl River in Haizhu District. High-rise residential buildings have panoramic views of the river as well as the splendid skyline of Tianhe District. In this premiere residential community, apartment types range from smaller single storey units of 400 sq ft to duplexes and penthouses as large as 6000 sq ft. Lujiang Station is the closest Metro station from the neighbourhood, which is about 1 km away.

Examples of notable housing estates in this area include Golden Bay (金海灣), Top Gate (中信君庭) and Zhonghai Glorious Garden (中海錦苑).

Guangzhou

5.4 Lease Terms and Market Practices

Lease terms and market practices are outlined as below:

Lease Terms	
Monthly Rent	<ul style="list-style-type: none"> Rents are quoted in RMB, on a per month basis, excluding service charges, taxes and incentives.
Typical Lease Term	<ul style="list-style-type: none"> A typical lease term for residential properties of all sizes is one year. Shorter or longer length is negotiable. Some landlords prefer two-year leases for expatriate houses if the lease includes furniture purchases and custom renovations.
Frequency of Rent Payable	<ul style="list-style-type: none"> Payable monthly in advance.
Basis and Frequency of Rent Review	<ul style="list-style-type: none"> No rent reviews unless an option to review is agreed. Upon lease renewal or every one or two years.
Option to Renew	<ul style="list-style-type: none"> If a tenant wants to renew the tenancy, the tenant generally must inform the landlord two months prior to the expiration of the current lease.
Early Termination	<ul style="list-style-type: none"> The security deposit and the down payment might be forfeited unless the landlord has agreed to a break option in the tenancy agreement. The break option gives the tenant the right to terminate the lease without penalty. Landlords may ask for a rent premium to accept the break option.
Market Practices	
Car Parking Fees	<ul style="list-style-type: none"> The car parking fees vary from district to district depending on location. In general, the more expensive, the closer to the city centre. The car parking fee is generally not included in the monthly rent and is payable by the tenant.
Management Fees	<ul style="list-style-type: none"> In general, management fees are not included in the rents.
Housing/Property Taxes	<ul style="list-style-type: none"> The House Leasing Tax is generally payable by the landlord. The local government requires landlords to pay an 8% tax on the rental income. There are cases that landlords may try to pass on the tax to tenants. This has been taken into account in drawing up the recommended rent allowance rates.
Deposit/Key Money	<ul style="list-style-type: none"> A deposit will typically be two months' rent. The landlord returns the security deposit subject to tenant returning the property and related appliances in good condition, and all related charges paid (subject to normal wear and tear).
Estate Agent/ Brokerage Fees	<ul style="list-style-type: none"> Typically in the Mainland, the brokerage fee is one month's rent. The estate agent can charge agent fees from the landlord and the tenant separately.

Guangzhou

Utilities	<ul style="list-style-type: none">• Utility costs are not usually included in the rent, although some apartments may include water, cable TV and internet charges.• In general, they are not covered by the rent and are payable by the tenant monthly.
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Guangzhou

5.5 Rent Allowance Assessment

Based on the above analysis, the rent allowance assessment for different rank/grades is proposed as follows:

Rank/Grade	Family Size	Rent Allowance (Furnished) (RMB/mth)	Mandatory Charges		Total Costs (RMB/mth)
			Car Parking (RMB/mth)	Management Fees (RMB/mth)	
Group I (D6- D8)	Single/ Married	38,480	1,000	2,360	41,840
	Family	44,510	1,000	2,680	48,190
Group II (D4/D5)	Single/ Married	27,770	1,000	1,540	30,310
	Family	31,820	1,000	1,750	34,570
Group III (D1 – D3)	Single/ Married	20,280	800	1,020	22,100
	Family	23,500	800	1,260	25,560
Group IV (MPS 45 – 49; PPS 49 - 54a; GDS(O) 33 – 39)	Single/ Married	15,600	700	800	17,100
	Family	18,930	700	900	20,530
Group V (MPS 28 – 44; PPS 30 - 48; GDS(O) 14 - 32)	Single/ Married	11,440	600	460	12,500
	Family	13,940	600	580	15,120
Group VI (MPS 27 & below; PPS 29 & below; GDS(O) 13 & below)	Single/ Married	8,320	600	340	9,260
	Family	10,090	600	420	11,110

Rent allowance rates are monthly costs quoted in RMB

Shanghai

6.0 SHANGHAI

6.1 Overview of Shanghai



Source: CBRE

Shanghai is located on the east coast of China at the edge of the Yangtze River and is the country's largest city with a population of 23.0 million in 2010³¹. The city's 2010 GDP totalled USD 256.4 billion³², an increase of 9.9% from the year 2009. Shanghai's GDP per capita of USD \$10,828³³ is the top in the nation, followed by Beijing and Tianjin. Shanghai is administratively divided into 17 districts and one county (Chongming Island) with nine districts considered as core urban districts. With a total land area of 6,340.5 sq km, the city contains one of the largest ports in China and is a gateway to the East China Sea. High levels of foreign direct investment (FDI) in Shanghai over the past decade have been driven by the city's high-profile position as an economic hub and gateway to the rest of Mainland China, its strong talent base as well as its development into a major manufacturing and distribution centre for the country.

³¹ National Bureau of Statistics of China, Census 2010

³² Shanghai Statistics Bureau

³³ National Bureau of Statistics of China, Census 2010

Shanghai

6.2 General Standards and Parameters of Accommodation

With reference to policies and general standards of accommodation adopted by major Hong Kong organisations and multinational corporations for their managerial/executive personnel of comparable level, a set of general standards and parameters of accommodation for Hong Kong-based officers at six different levels, i.e. Groups I, II, III, IV, V and VI posted to the Shanghai ETO or on secondment to Shanghai are set out below:

Rank/Grade	Family Size	Residential Districts	Distance from Shanghai Office ³⁴	Market Positioning ³⁵	Suitable Type of Residential Premises (Furnished) ³⁶	Mandatory Charges ³⁷	Utilities Practice ³⁸
Group I (D6- D8)	Single/ Married	Jing'an(靜安), Luwan (盧灣), Hongqiao-Changning (虹橋-長寧), Gubei (古北), Pudong (浦東)	Up to 16 km	Upper-end	Average of 3 bedroom apartments and houses	Car Parking Fees	Utilities are not usually included in the rents
	Family	Jing'an(靜安), Luwan (盧灣), Hongqiao-Changning (虹橋-長寧), Gubei (古北), Pudong (浦東)	Up to 16 km	Upper-end	Average of 3 to 4 bedroom apartments and houses	Car Parking Fees	Utilities are not usually included in the rents
Group II (D4/D5)	Single/ Married	Jing'an(靜安), Luwan (盧灣), Hongqiao-Changning (虹橋-長寧), Gubei (古北), Pudong (浦東)	Up to 16 km	Upper-end	Average of 3 bedroom apartments and houses	Car Parking Fees	Utilities are not usually included in the rents
	Family	Jing'an(靜安), Luwan (盧灣), Hongqiao-Changning (虹橋-長寧), Gubei (古北), Pudong (浦東)	Up to 16 km	Upper-end	Average of 3 to 4 bedroom apartments and houses	Car Parking Fees	Utilities are not usually included in the rents

³⁴ Distance from the Hong Kong Economic and Trade Office in Shanghai: 21/F, The Headquarters Building, 168 Xizang Road (M), Huangpu District, Shanghai.

³⁵ The consideration of market positioning refers to the relativity in the expatriate residential market of the particular city.

³⁶ There are other considerations on the choice of suitable premises for the expatriates, including: reasonable distance from the CBD; reasonable commuting time during peak hours; good property management; proximity to international schools, proximity to quality recreational and shopping facilities; large foreign community; and serene environment.

³⁷ Management fees are usually included in the rental whilst one-off costs such as deposit/key money and estate agent/brokerage fees are excluded from the assessment. For the usual practice of specific cost items, please refer to section 6.4

³⁸ Utilities charges (e.g. gas, electricity and telephone/fax lines) and any other services charges (e.g. laundry services), are excluded from the rental assessment.

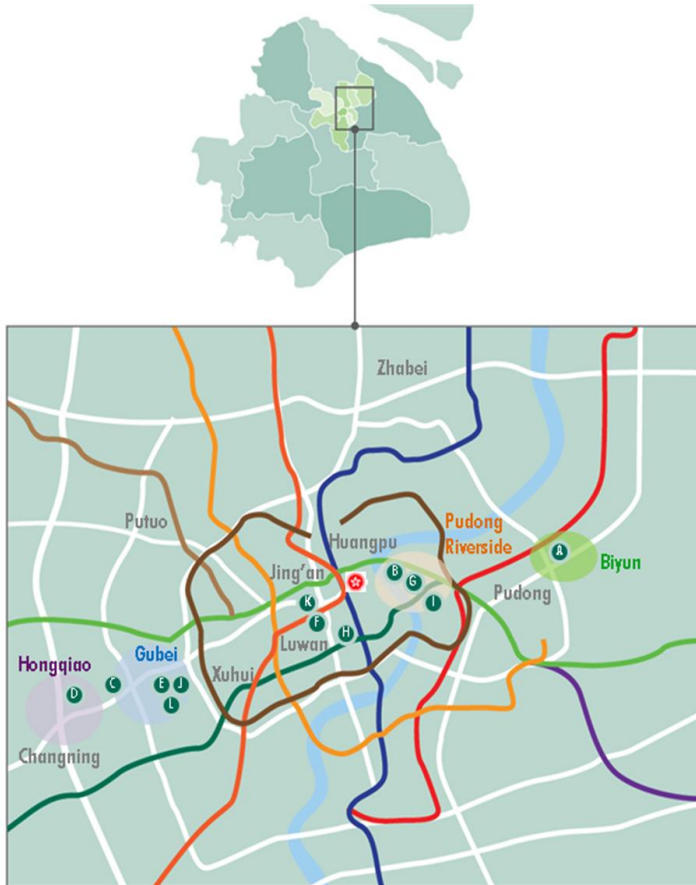
Shanghai

Rank/Grade	Family Size	Residential Districts	Distance from Shanghai Office ³⁴	Market Positioning ³⁵	Suitable Type of Residential Premises (Furnished) ³⁶	Mandatory Charges ³⁷	Utilities Practice ³⁸
Group III (D1 – D3)	Single/Married	Jing'an(靜安), Luwan (盧灣), Hongqiao-Changning (虹橋-長寧), Gubei (古北), Pudong (浦東)	Up to 16 km	Medium to Upper-end	Average of 2 to 3 bedroom apartments and houses	Car Parking Fees	Utilities are not usually included in the rents
	Family	Jing'an(靜安), Luwan (盧灣), Hongqiao-Changning (虹橋-長寧), Gubei (古北), Pudong (浦東)	Up to 16 km	Medium to Upper-end	Average of 3 to 4 bedroom apartments and houses	Car Parking Fees	Utilities are not usually included in the rents
Group IV (MPS 45 – 49; PPS 49 - 54a; GDS(O) 33 – 39)	Single/Married	Jing'an(靜安), Luwan (盧灣), Hongqiao-Changning (虹橋-長寧), Gubei (古北), Pudong (浦東)	Up to 16 km	Medium	2 bedroom apartments	Car Parking Fees	Utilities are not usually included in the rents
	Family	Jing'an(靜安), Luwan (盧灣), Hongqiao-Changning (虹橋-長寧), Gubei (古北), Pudong (浦東)	Up to 16 km	Medium	Average of 2 to 3 bedroom apartments	Car Parking Fees	Utilities are not usually included in the rents
Group V (MPS 28 – 44; PPS 30 - 48; GDS(O) 14 - 32)	Single/Married	Jing'an(靜安), Luwan (盧灣), Hongqiao-Changning (虹橋-長寧), Gubei (古北), Pudong (浦東)	Up to 16 km	Low to Medium	2 bedroom apartments	Car Parking Fees	Utilities are not usually included in the rents
	Family	Jing'an(靜安), Luwan (盧灣), Hongqiao-Changning (虹橋-長寧), Gubei (古北), Pudong (浦東)	Up to 16 km	Low to Medium	Average of 2 to 3 bedroom apartments	Car Parking Fees	Utilities are not usually included in the rents
Group VI (MPS 27 & below; PPS 29 & below; GDS(O) 13 & below)	Single/Married	Jing'an(靜安), Luwan (盧灣), Hongqiao-Changning (虹橋-長寧), Gubei (古北), Pudong (浦東)	Up to 16 km	Low	1 to 2 bedroom apartments	Car Parking Fees	Utilities are not usually included in the rents
	Family	Jing'an(靜安), Luwan (盧灣), Hongqiao-Changning (虹橋-長寧), Gubei (古北), Pudong (浦東)	Up to 16 km	Low	2 to 3 bedroom apartments	Car Parking Fees	Utilities are not usually included in the rents

Shanghai

6.3 Residential Districts and Estates

Based on the general standards and parameters set out above, several residential districts/areas and estates are identified as suitable places for Hong Kong-based officers posted or on secondment to Shanghai. The following provides an overview of the selected districts/areas and samples of appropriate residential estates:



 Location of Shanghai Office

Source: CBRE

Group	Ref	District/Area	Estate ³⁹
I	A	Pudong (浦東)	Greenhills (雲間綠大地, 錦繡東路 418 弄 1~296 號)
	B	Pudong (浦東)	Ocean One (中糧海景壹號, 銀城中路 600 弄)
II	C	Gubei (古北)	Xijiao Guesthouse Garden Villa (西郊賓館花園別墅, 虹橋路 1919 號)
	D	Hongqiao-Changning (虹橋-長寧)	China Garden Villas (虹橋中華園, 虹橋路 2388 號)
III	E	Gubei (古北)	Maison Des Artistes (御翠豪庭, 黃金城道 688 弄)
	F	Luwan (盧灣)	Champs-Elysees Palace (香山麗舍, 香山路 33 弄 1~16 號)
IV	G	Pudong (浦東)	Yanlord Garden (仁恒濱江園, 浦明路 99 弄)
	H	Luwan (盧灣)	Lakeville Regency (翠湖天地御苑, 順昌路 168 弄)
V	I	Pudong (浦東)	Shimao Riviera Garden (世茂濱江花園, 維坊西路 1 弄)
	J	Gubei (古北)	Rich Garden (古北瑞仕花園, 黃金城道 500 弄)
VI	K	Jing'an (靜安)	Top of City (中凱城市之光, 大沽路 368 弄)
	L	Gubei (古北)	Uptown (上城, 古北路 1398 弄)

■ Jing'an (靜安)

Jing'an District covers the areas around Nanjing Road West. Known as Shanghai's "Fifth Avenue", Nanjing Road west is the city's premiere shopping location with fashion shops and landmark buildings such as Hang Lung's Plaza 66 and Portman Ritz-Carlton. It is also said to be the CBD area of Puxi.

³⁹The residential estates on the list/map are examples only, which are for indication of the geographical locations.

Shanghai

Many new and high-quality serviced apartments and residencies, targeting expatriates and foreigners, are built in the area. Most of the apartments are well furnished. Compared to other areas in Shanghai, Nanjing Road West offers relatively fewer housing options as the area is concentrated with commercial buildings. The Metro Line 2 runs through Nanjing Road and taxis are readily available at the Portman Ritz Carlton and the Westgate Mall. Notable housing estates in the area include Top of City (中凱城市之光), Crystal Pavilion (經典茂名公寓), Royal Pavilion (華山公寓) and Villa Beau Rivage (寧馨苑).

■ Luwan (盧灣)

Luwan (盧灣) covers the areas around Central Huaihai Road (淮海中路), which consists of both new high-rise residential buildings along the road as well as older Chinese apartment complexes to the south. Similar to Nanjing West Road, Central Huaihai Road has some of the best shopping destinations in the city. Several upscale shopping malls such as Shanghai Time Square and the city's hottest affluent "lifestyle centre" – Xintiandi are located within the area. Xintiandi offers foreigners and expatriates a taste of the local cultures in small art galleries and antique stores, as well as an exciting nightlife with loud music and dance places all throughout the area.

Renowned housing estates in Luwan District include Jinlin Tiandi (錦麟天地), Champs-Elysees Palace (香山麗舍), Lakeville Regency (翠湖天地御苑) and Time Square Apartment (時代豪庭).

■ Pudong (浦東)

Pudong covers the areas around Pudong Riverside (浦東濱江區), which is home to some of the city's high quality high-rise residential buildings. Located next to Shanghai's new CBD in Lujiazui, residents in this district have spectacular views of the bund as well as some of the tallest skyscrapers, such as Shanghai World Financial Center and Jin Mao Tower, in the nearby financial district. Unlike other residential areas, property developments here are mostly in larger scale with extensive housing facilities such as club house, swimming pool, car park space and 24-hour security. Shanghai Metro Line 2 runs through the area, which provides easy access to Puxi. Driving is more preferred in the Pudong area, though traffic congestions are often seen at the Yan'an tunnel moving across the river into Puxi.

Notable Residential Buildings in Pudong District include Greenhills (雲間綠大地), Yanlord Garden (仁恒濱江園) and Shimao Riviera Garden (世茂濱江花園).

Shanghai

6.4 Lease Terms and Market Practices

Lease terms and market practices are outlined as below:

Lease Terms	
Monthly Rent	<ul style="list-style-type: none"> Rents are quoted in RMB on a per month basis, excluding service charges, taxes and incentives.
Typical Lease Term	<ul style="list-style-type: none"> A typical lease term for residential properties of all sizes is one year. Shorter or longer length is negotiable. Some landlords prefer two-year leases for expatriate houses if the lease includes furniture purchases and custom renovations.
Frequency of Rent Payable	<ul style="list-style-type: none"> Payable monthly in advance.
Basis and Frequency of Rent Review	<ul style="list-style-type: none"> No rent reviews unless an option to review is agreed. Upon lease renewal or every one or two years.
Option to Renew	<ul style="list-style-type: none"> If a tenant wants to renew the tenancy, the tenant generally must inform the landlord two to three months prior to the expiration of the current lease.
Early Termination	<ul style="list-style-type: none"> The security deposit and the down payment might be forfeited unless the landlord has agreed to a break option in the tenancy agreement. The break option gives the tenant the right to terminate the lease without penalty. Landlords may ask for a rent premium to accept the break option.
Market Practices	
Car Parking Fees	<ul style="list-style-type: none"> The car parking fees vary from district to district depending on location. In general, the more expensive, the closer to the city centre. The car parking fee is generally not included in the monthly rent and is payable by the tenant.
Management Fees	<ul style="list-style-type: none"> In most cases the management fees are quoted in the rental price and landlords would clearly state how much they are and include it in the rental.
Housing/Property Taxes	<ul style="list-style-type: none"> The local government requires individual landlords to pay a 5% tax, on the rental income. There are cases that landlords may try to pass on the tax to tenants. This has been taken into account in drawing up the recommended rent allowance rates.

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Deposit/Key Money	<ul style="list-style-type: none"> • A deposit will typically be two months' rent. • A down payment or advance payment for one month's rent may also be required. • The landlord returns the security deposit subject to tenant returning the property and related appliances in good condition, and all related charges paid (subject to normal wear and tear). • The deposit may be also in the form of a Bank or Company Guarantee Letter.
Estate Agent/ Brokerage Fees	<ul style="list-style-type: none"> • Typically in the Mainland, the brokerage fee is one month's rent. • Depending on the estate agent used, the fee is split between the landlord and the tenant.
Utilities	<ul style="list-style-type: none"> • Utility costs are not usually included in the rent, although some apartments may include water, cable TV and internet charges. • In general, they are not covered by the rent and are payable by the tenant monthly.

Shanghai

6.5 Rent Allowance Assessment

Based on the above analysis, the rent allowance assessment for different ranks/grades is proposed as follows:

Rank/Grade	Family Size	Rent Allowance (Furnished) (RMB/mth)	Mandatory Charges		Total Costs (RMB/mth)
			Car Parking (RMB/mth)	Management Fees (RMB/mth)	
Group I (D6- D8)	Single/ Married	53,200	1,800	Included in rent allowance	55,000
	Family	64,880	1,800	Included in rent allowance	66,680
Group II (D4/D5)	Single/ Married	41,210	1,800	Included in rent allowance	43,010
	Family	46,840	1,800	Included in rent allowance	48,640
Group III (D1 – D3)	Single/ Married	32,800	1,500	Included in rent allowance	34,300
	Family	37,110	1,500	Included in rent allowance	38,610
Group IV (MPS 45 – 49; PPS 49 - 54a; GDS(O) 33 – 39)	Single/ Married	24,910	1,400	Included in rent allowance	26,310
	Family	29,620	1,400	Included in rent allowance	31,020
Group V (MPS 28 – 44; PPS 30 - 48; GDS(O) 14 - 32)	Single/ Married	19,170	1,200	Included in rent allowance	20,370
	Family	21,940	1,200	Included in rent allowance	23,140
Group VI (MPS 27 & below; PPS 29 & below; GDS(O) 13 & below)	Single/ Married	14,250	1,200	Included in rent allowance	15,450
	Family	18,450	1,200	Included in rent allowance	19,650

Rent allowance rates are monthly costs quoted in RMB

Taipei

7.0 TAIPEI

7.1 Overview of Taipei



Source: CBRE

Taipei is situated at the northern part of Taiwan and on Danshui River. With an area of 271.8 sq km, it has 12 administrative districts with a total population of 2.6 million residents as of the end of 2010⁴⁰. It is a central city of the largest metropolitan area where landmark developments such as Taipei 101 and Taipei World Trade Center are located.

Taipei's rapid economic development has been the result of the production of high technology and components, with approximately 70% of its GDP growth generated by exports (led by electronics and machinery). The GDP was recorded at USD 430.6 billion in 2010⁴¹, which grew 10.5% after a contraction in 2009 due primarily to a 20% year-on-year decline in exports. Taiwan in 2010 attracted a FDI of USD 63.37 billion⁴², increased by 4% from previous year.

⁴⁰ Source: Population for Township and District, Department of the Statistics, Taiwan

⁴¹ Source: The World Factbook, CIA, 2011.

⁴² Source: The World Factbook, CIA, 2011.

Taipei

7.2 General Standards and Parameters of Accommodation

With reference to policies and general standards of accommodation adopted by major Hong Kong organisations and multinational corporations for their managerial/executive personnel of comparable level, a set of general standards and parameters of accommodation for Hong Kong-based officers at six different levels, i.e. Groups I, II, III, IV, V and VI, posted to the HKETCO or on secondment to Taipei are set out below:

Rank/Grade	Family Size	Residential Districts	Distance from City Centre ⁴³	Market Positioning ⁴⁴	Suitable Type of Residential Premises (Furnished) ⁴⁵	Mandatory Charges ⁴⁶	Utilities Practice ⁴⁷
Group I (D6- D8)	Single/ Married	Da-An (大安), Dazhi (大直), Tianmu (天母), Xinyi (信義), Yangmingshan (陽明山)	Up to 15 km*	Upper-end	Average of 3 bedroom apartments and houses	Car Parking Fees and Management Fees ⁴⁸	Utilities are not usually included in the rents
	Family	Da-An (大安), Dazhi (大直), Tianmu (天母), Xinyi (信義), Yangmingshan (陽明山)	Up to 15 km*	Upper-end	Average of 3 to 4 bedroom apartments and houses	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
Group II (D4/D5)	Single/ Married	Da-An (大安), Dazhi (大直), Tianmu (天母), Xinyi (信義), Yangmingshan (陽明山)	Up to 15 km*	Upper-end	Average of 3 bedroom apartments and houses	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
	Family	Da-An (大安), Dazhi (大直), Tianmu (天母), Xinyi (信義), Yangmingshan (陽明山)	Up to 15 km*	Upper-end	Average of 3 to 4 bedroom apartments and houses	Car Parking Fees and Management Fees	Utilities are not usually included in the rents

⁴³ Since the location of the HKETCO is not determined at the time of the Study, it is assumed to be in the city centre of Xinyi District, one of the major CBDs in Taipei, for the purpose of the Study. * With the exception of Yangmingshan which is about 18 km from the assumed HKETCO location.

⁴⁴ The consideration of market positioning refers to the relativity in the expatriate residential market of the particular city.

⁴⁵ There are other considerations on the choice of suitable premises for the expatriates, including: reasonable distance from the CBD; reasonable commuting time during peak hours; good property management; proximity to international schools, proximity to quality recreational and shopping facilities; large foreign community; and serene environment.

⁴⁶ One-off costs such as deposit/key money and estate agent/brokerage fees are excluded from the assessment. For the usual practice of specific cost items, please refer to section 7.4.

⁴⁷ Utilities charges (e.g. gas, electricity and telephone/fax lines) and any other services charges (e.g. laundry services), are excluded from the rental assessment.

⁴⁸ Management fees, usually payable by all occupants, provide for communal services such as cleaning, security guards and maintenance of common areas and amenities.

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Rank/Grade	Family Size	Residential Districts	Distance from City Centre ⁴³	Market Positioning ⁴⁴	Suitable Type of Residential Premises (Furnished) ⁴⁵	Mandatory Charges ⁴⁶	Utilities Practice ⁴⁷
Group III (D1 – D3)	Single/ Married	Da-An (大安), Dazhi (大直), Tianmu (天母), Xinyi (信義)	Up to 15 km	Medium to Upper-end	Average of 2 to 3 bedroom apartments and houses	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
	Family	Da-An (大安), Dazhi (大直), Tianmu (天母), Xinyi (信義)	Up to 15 km	Medium to Upper-end	Average of 3 to 4 bedroom apartments and houses	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
Group IV (MPS 45 – 49; PPS 49 - 54a; GDS(O) 33 – 39)	Single/ Married	Da-An (大安), Dazhi (大直), Xinyi (信義)	Up to 7.5 km	Medium	2 bedroom apartments	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
	Family	Da-An (大安), Dazhi (大直), Xinyi (信義)	Up to 7.5 km	Medium	Average of 2 to 3 bedroom apartments	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
Group V (MPS 28 – 44; PPS 30 - 48; GDS(O) 14 - 32)	Single/ Married	Da-An (大安), Dazhi (大直), Xinyi (信義)	Up to 7.5 km	Low to Medium	2 bedroom apartments	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
	Family	Da-An (大安), Dazhi (大直), Xinyi (信義)	Up to 7.5 km	Low to Medium	Average of 2 to 3 bedroom apartments	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
Group VI (MPS 27 & below; PPS 29 & below; GDS(O) 13 & below)	Single/ Married	Da-An (大安), Dazhi (大直), Xinyi (信義)	Up to 7.5 km	Low	1 to 2 bedroom apartments	Car Parking Fees and Management Fees	Utilities are not usually included in the rents
	Family	Da-An (大安), Dazhi (大直), Xinyi (信義)	Up to 7.5 km	Low	2 to 3 bedroom apartments	Car Parking Fees and Management Fees	Utilities are not usually included in the rents

Taipei

7.3 Residential Districts and Estates

Based on the general standards and parameters set out above, several residential districts/areas and estates are identified as suitable places for Hong Kong-based officers posted or on secondment to Taipei. The following provides an overview of the selected districts/areas and samples of appropriate residential estates:



Group	Ref	District/Area	Estate ⁴⁹
I	A	Xinyi (信義)	Gallery (國家藝術館, 松德路 132 號)
	B	Da-An (大安)	The Palace (仁愛帝寶, 仁愛路三段 53 之 1 ~ 9 號)
II	C	Yangmingshan (陽明山)	Yangming Di Jing (陽明帝景, 菁山路 50 號)
	D	Dazhi (大直)	Park View Water Garden (帝景水花園, 樂群二路 166 號)
III	E	Xinyi (信義)	Kingdom Vision (冠德遠見, 信義路五段 95 ~ 101 號)
	F	Tianmu (天母)	Ao Zhi Xi Dao (奧之細道, 天玉街 58 之 1, 60 號)
IV	G	Dazhi (大直)	Parc del Sol (雅璞涵館, 堤頂大道二段 500 號)
	H	Xinyi (信義)	Xinyi Record (信義錄, 松德路 200 巷 2, 6, 8, 10 號)
V	I	Dazhi (大直)	Love Dazhi (戀戀大直, 明水路 397 巷)
	J	Tianmu (天母)	Hung Sheng Tianmu (宏盛天母, 中山北路七段 219 巷)
VI	K	Xinyi (信義)	Xinyi Champs-Élysées (信義香榭, 信義路五段 127 號)
	L	Dazhi (大直)	Desire (明水悅, 明水路 636 號)

Assumed location of the HKETCO

Source: CBRE

■ Xinyi (信義)

The Xinyi District is Taipei’s newly developed CBD and is now the most notable financial centre of Taipei. Key buildings including Taipei 101, Taipei City Council, Taipei International Convention Center, Taipei World Trade Center, and various shopping malls and entertainment venues make Xinyi the most modern cosmopolitan district of Taipei. The “National Sun Yat-sen Memorial Hall” is also located in the district.

Xinyi District is served by the Taipei Metro's Nangang Line in the north and Wenshan Line in the south. When completed in 2012, the Taipei Metro Xinyi Line will serve the district at Taipei 101/World Trade Center and Elephant Mountain. In addition, the north of the district is served by the Taiwan Railway Administration Songshan Station. Furthermore, buses to Xinyi District are also plentiful from all parts of Taipei, with a

⁴⁹ The residential estates on the list/map are examples only, which are for indication of the geographical locations.

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major bus terminal at Taipei City Hall Bus Station. There are also many arteries and freeways in the area, including Zhongxiao E. Road (Sec. 4), Keelung Road, Xinyi Road (Sec. 2), Ren'ai Road (Sec. 3), Provincial Highway No. 5, and the Civic Blvd Expressway.

The residential developments in the district are predominantly made up of medium to high-rise apartment blocks of various ages, mostly developed by a great number of developers. They are usually in the form of small estate-type developments of two to three residential towers. Examples of notable housing estates in this area include Xinyi Star (信義之星), Xinyi Record (信義錄) and Polar Garden (寶徠花園廣場).

■ Tianmu (天母)

Tianmu is a neighborhood located in Shilin, Taipei City. Located on the northern border of Shilin District, Tianmu borders the neighboring district of Beitou and “Yangmingshan National Park”.

The district has been gaining popularity amongst foreigners due to the presence of various international schools, including Taipei American School, Taipei Japanese School and Taipei European School. The district is well equipped with quality cultural, recreational, medical and shopping facilities. Taipei Municipal Tianmu Baseball Stadium is also located in Tianmu. Right next to the Baseball Stadium is Tianmu Sports Park. The public facility has six tennis courts, an ice rink, children's playground, an open-air theater, four basketball courts, and one multi-purpose lawn.

The residential developments in the district are primarily dominated by medium to high-rise apartment blocks and quality houses, with some aged residential buildings completed in earlier years. The residential buildings are mostly developed by a number of medium to large developers and in the form of small estate-type developments of two to three residential towers. Examples of notable housing estates in this area include Fubon 777 (富邦 777), Ao Zhi Xi Dao (奧之細道) and Tianmu Hong Ju (天母絃鉅).

■ Yangmingshan (陽明山)

Yangmingshan is located between Taipei City and New Taipei City, and is situated in the “Yangmingshan National Park” area.

Yang De Avenue is the main gateway from the Shilin District to Yangmingshan. As part of the Provincial Highway No. 2, the 12-m wide avenue starts from the Shilin district Fuxing Bridge and ends at Shanzhihou, connecting Gejih Road. There are also a few bus lines connecting Taipei City and Yangminshan. The Yangmingshan Elementary School and Chinese Culture University are located in this area.

The residential developments in the district are dominated by high quality estate-type houses, mostly developed by numerous small developers and individual landlords. Examples of notable housing estate in this area include Yangming Di Jing (陽明帝景) and Pool Villa (泳池別墅).

■ Da-An District (大安區)

Da-An District is bordered by Xinyi District to the east, Wenshan District to the south, Zhongzheng District to the west, Zhongshan District to the northwest, and Songshan District to the northeast.

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It is an important educational, commercial, residential, and cultural district of Taipei City and the home of three major universities.

Da-An is better served by the Taipei Metro than any other districts of Taipei with the exception of Zhongzheng. The Wenshan, Nangang, Xindian, Xinzhuang and Zhonghe Lines all have stations in the district. The district also contains one of Taipei's major interchanges at Zhongxiao Fuxing. The future Xinyi Line (under construction), Songshan Line (under construction), and North-South Line (planned) will all have stations in this district.

The residential developments in the district are primarily dominated by apartment blocks of various ages, mostly developed by a large number of medium to large-sized developers and in the form of small-scale estate-type developments of two to three residential towers. Examples of notable housing estates in this area include Dun Feng (敦峰), The Palace (仁愛帝寶) and Dun Ren (潤泰敦仁).

■ Dazhi (大直)

Dazhi is located in the northeastern part of Zhongshan District. Dazhi is well served by the Dazhi and Jiannan Road Stations of Taipei Metro (more commonly known as MRT). Furthermore, there are over ten bus lines on Beian Road, which can link up Dazhi, Neihu, Shilin and Tianmu.

Dazhi has been recently merged with Neihu Technology Park, an emerging high-tech area. The district is well served by many medical services, various foreign restaurants, and schools including Beian High School, Dazhi High School, and the famous Yongan Elementary School.

The residential developments in the district are primarily dominated by low to medium-rise apartment blocks of various ages, mostly developed by a large number of medium to large-sized developers and in the form of small-scale estate-type developments of two to three residential towers. Examples of notable housing estates in this area include Park View Water Garden (帝景水花園), Karuizawa (輕井澤), Dain Ti Hill (代官山) and Desire (明水悅).

Taipei

7.4 Lease Terms and Market Practices

Lease terms and market practices are outlined as below:

Lease Terms	
Monthly Rent	<ul style="list-style-type: none"> Rents are generally quoted in New Taiwan Dollar (NTD) on a per month basis.
Typical Lease Term	<ul style="list-style-type: none"> A typical lease term for residential properties of all sizes is one year. Longer terms are possible. Shorter terms of less than one year are sometimes available, but not typical.
Frequency of Rent Payable	<ul style="list-style-type: none"> Payable monthly in advance
Basis and Frequency of Rent Review	<ul style="list-style-type: none"> No rent reviews unless an option to review is agreed at the outset and specified in the lease contract. Upon lease renewal or every one or two years
Option to Renew	<ul style="list-style-type: none"> According to the Civil Law in Taiwan, if the tenant still occupies the property after the expiry of current lease, and the landlord does not object, it shall be deemed that the lease contract will continue for a non-specified time. If a tenant wants to renew the tenancy, the tenant generally must inform the landlord one to three months prior to the expiration of the current lease. If the obligation of informing landlord about renewal by the tenant is stated in the lease contract, the tenant should serve an advance notice to the landlord.
Early Termination	<ul style="list-style-type: none"> For non-periodic leasehold contract: Either the landlord or tenant could terminate the lease at any time, and can be done without any reason. For periodic leasehold contract: No early terminations for landlord or tenant are possible, but an agreement can be set out in the contract for early termination.
Market Practices	
Car Parking Fees	<ul style="list-style-type: none"> The car parking fees vary from district to district depending on location. In general, the more expensive the fees, the closer to the city centre. The car parking fee is generally not included in the monthly rent and is payable by the tenant.

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Management Fees	<ul style="list-style-type: none"> • The majority of residential properties are subject to an additional fee for maintenance and service costs, covering the costs of cleaning and lighting of communal areas, pest control, lift operation, porter/concierge wages and security service costs (if applicable). • These costs vary from estate to estate, but are generally excluded in the rental rent and are often payable by the tenant. • In most case the landlord is responsible for building insurance and the maintenance of external and common parts of the building. • A small number of costs are normally passed on to the tenant, such as the management charges and the cost of repairing the occupied areas and restoring the property to its condition. • Typically fixed management remuneration is adopted according to market rates, usually in the form of a unit rate based on footage (NTD/ping) or a percentage of total onsite employees' remuneration, depending on the size of the portfolio.
Housing/Property Taxes	<ul style="list-style-type: none"> • An annual Land Value Tax is levied on each property, and is calculated based on the landowners' reported land value. The landowners are liable for the tax. • Similarly, an annual Housing Tax is levied on each residential unit, and is calculated based on the current housing value. The homeowners are liable for the tax. • The annual Land Value Tax and Housing Tax are generally payable by the owner/landlord.
Deposit/Key Money	<ul style="list-style-type: none"> • A deposit is typically and cannot be more than two months' rental, which is payable by the tenant.
Estate Agent/ Brokerage Fees	<ul style="list-style-type: none"> • Depending on the estate agent used, both the landlord and the tenant may have to pay a fee, which cannot be over 6% of the transaction price or a 1.5 months' rent. • Generally the tenant pays 0.5 month's rent as fees and the landlord pays one month's rent.
Utilities	<ul style="list-style-type: none"> • Utility costs are not usually included in the rent, although some apartments may include water, cable TV and internet charges. • In general, they are not covered by the rent and are payable by the tenant.

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7.5 Rent Allowance Assessment

Based on the above analysis, the rent allowance assessment for different rank/grades is proposed as follows:

Rank/Grade	Family Size	Rent Allowance (Furnished) (NTD/mth)	Mandatory Charges		Total Costs (NTD/mth)
			Car Parking (NTD/mth)	Management Fees (NTD/mth)	
Group I (D6- D8)	Single/ Married	238,000	10,000	21,000	269,000
	Family	271,000	10,000	27,800	308,800
Group II (D4/D5)	Single/ Married	195,000	10,000	14,900	219,900
	Family	226,000	10,000	19,000	255,000
Group III (D1 – D3)	Single/ Married	137,000	8,000	9,100	154,100
	Family	180,000	8,000	10,800	198,800
Group IV (MPS 45 – 49; PPS 49 - 54a; GDS(O) 33 – 39)	Single/ Married	85,000	6,000	6,300	97,300
	Family	134,000	6,000	8,100	148,100
Group V (MPS 28 – 44; PPS 30 - 48; GDS(O) 14 - 32)	Single/ Married	54,000	4,000	4,000	62,000
	Family	61,000	4,000	5,100	70,100
Group VI (MPS 27 & below; PPS 29 & below; GDS(O) 13 & below)	Single/ Married	38,000	4,000	2,100	44,100
	Family	49,000	4,000	3,200	56,200

Rent allowance rates are monthly costs quoted in NTD

Review of Rent Allowance Mechanism

8.0 REVIEW OF RENT ALLOWANCE MECHANISM

As one of the main objectives, this Study is to develop an objective mechanism for periodic revision of the rent allowance rates in the future for different groups of officers posted or on secondment to the cities under study. The following outlines various proposed approaches for the Government's consideration.

Option I. Maintain the rent allowances for a fixed term

One of the approaches is to maintain the rent allowances for a fixed term and review is conducted upon expiry of every term. The length of the fixing period may be set from an administration or cost point of view. For instance, the rent allowances are fixed at the beginning of the posting for three years or the tenure of the assignment, up to five years. This approach would be more acceptable and commonly adopted by the organisations with staff posted out of the region for relatively short or specified terms.

Pros

- This approach allows the rent allowances to be set at the levels based on more comprehensive rental reviews on a periodic basis which may be sufficient for steady rental markets.
- Fixing the rent allowances for a period reduces resources and costs incurred by ongoing detailed reviews. It also minimises administration work for rent allowance revisions such as notifications and record updates.
- This approach is simple and can be easily understood by all staff at different ranks/grades.

Cons

- The residential market may change considerably with new supply of different quality/specifications introduced, which may affect the validity of proposed standards and parameters and so the rent allowance rates required. This is particularly the case for some developing cities where the residential market tends to be more volatile.
- The rent allowances fixed may not be a good reflection of actual rent costs incurred especially when the rental market experiences fluctuations in the review intervals.

Option II. Adjust the rent allowances by city-specific rental indices

Rather than fixing the rent allowance rates for a long period, interim revisions can be undertaken by simpler adjustment exercises between comprehensive and detailed reviews.

For property market, it is quite common for landlords to set the rentals levels by making reference to similar rental transactions followed by adjustment for time factor based on certain rental price indices. The same practice can be applied to the rent allowance rates in question.

The selection of rental indices depends on the type of the property which is residential in the case. More desirably, the indices used for adjustment are derived from the same or similar target market segment which the rental under concern allowance rates are based. With qualifications in respect to premises size and quality, the rental level

Review of Rent Allowance Mechanism

changes of target markets are better tracked, and the representativeness of the rental indices is improved. While the availability of the rental indices varies from city to city, the time series of the rental price indices are usually on a quarterly or annual basis.

IIa. CBRE Luxury Residential Rental Indices

CBRE Research produced indices for the rental market of residential properties. Published quarterly, they are city-specific and representative keeping track of the rental levels changes based on lettings of a selected basket of high quality residential developments during each period. They are regarded as an effective tool to reflect market fluctuations of residential properties generally for expatriates. We consider that *CBRE Luxury Residential Rental Indices* are suitable to be used in adjusting the rent allowance rates in this case given the resemblance between the covered residential market and the expatriates housing segment for the expatriate executive/managerial personnel.

Adjustment Methodology

A rental price index is an index number indicating relative change rather than absolute value. Normally the index is set at 100 for a base year and the change between years can be expressed in percentage by comparing the indices of the adjusted year to another as a base:

Percentage change in Rental Levels between Year 2 and Year 1 = (Rental Price Index_(Year 2) - Rental Price Index_(Year 1)) / Rental Price Index_(Year 1)

The rent allowance rates can be adjusted by multiplying the rental price index of the year to be adjusted and divided by the rental price index of the year when the rent allowance rates is originally derived by detailed review:

$$\text{Adjusted Rent Allowance Rates} = \text{Original Rent Allowance} \times \frac{\text{Rental Price Index}_{(\text{Adjusted Year})}}{\text{Rental Price Index}_{(\text{original year})}}$$

It should be noted that whilst CBRE Luxury Residential Rental Indices capture the overall movements of rental markets, they do not cover market fluctuations specific to locality or developments or individual new supply.

IIb. Official Housing Inflation Indices

This approach is to apply the official housing inflation indices to current allowances on an annual basis to establish the revised allowances.

In the Mainland, normally official rental price indices are published annually. The data are published by the Central Bureau of Statistics and published in the year book. The indices are usually city-wide and represent overall average of a broad spectrum of rental transactions ranging from mass market to upper-end niches in the city.

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Some examples of official housing indices are as follows:

Beijing	Beijing Municipal Bureau of Statistics (Monthly and Annual Data Available) Consumer Price Index – Residential Rental Prices Component
	http://www.bjstats.gov.cn/sjfb/bssj/jdsj/2011/
Chengdu	Chengdu Statistics Bureau (Annual Data Available) Consumer Price Index
	http://www.chdstats.gov.cn/list.asp?CX=True&textfield=%C4%EA%B6%C8%CA%FD%BE%DD&textfm=
Guangzhou	Guangzhou Municipal Statistics Bureau (Monthly and Annual Data Available) Consumer Price Index – Housing Component
	http://www.gzwjj.gov.cn/html/jgzsjgz.htm
Shanghai	Shanghai Municipal Statistics Bureau (Monthly and Annual Data Available) Consumer Price Index – Rental Housing Component
	http://www.stats-sh.gov.cn/data/toMData.xhtml?u=/monthdata/2011.html
Taipei	Department of Budget, Accounting & Statistics, Taipei City Government (Monthly and Annual Data Available) Consumer Price Index – Residential Housing Rental Component
	http://english.tcpd.taipei.gov.tw/ct.asp?xItem=202307&ctNode=11382&mp=120002

Adjustment Methodology

Similar methodology of the adjustment is used for the official housing indices. The rent allowance rates can be adjusted by multiplying the rental price index of the year to be adjusted and divided by the rental price index of the year when the rent allowance rates is originally derived by detailed review:

$$\text{Adjusted Rent Allowance Rates} = \text{Original Rent Allowance Rates} \times \frac{\text{Official Housing Index}_{(\text{Adjusted Year})}}{\text{Official Housing Index}_{(\text{original year})}}$$

Pros

- Revision by simpler adjustment is more cost-effective and saves resources and efforts incurred by undertaking ongoing detailed reviews; it is easy to administer the adjustment with the rental price indices available.
- The adjustment by rental price indices resembles the rent review practice conducted by landlords and may serve as a general indicator of the rental changes in the host cities.
- By using representative rental price indices which are reflective of the changes in the market conditions in the target segment, the revision of rent allowances can be more accurate and better tracks actual rental cost changes.
- CBRE's indices focused on the upper-end segment of the residential market, which cover typical areas for expatriate executive/managerial personnel housing segment.
- The government's official indices are publicly available and free of charge, greatly reducing the costs incurred in rent allowance reviews.
- The indices are authoritative and transparent which may be likely to be accepted by the employees.

Review of Rent Allowance Mechanism

Cons

- CBRE's *Luxury Residential Rental Index* does not cover the Taipei market.
- Some rental indices may track the overall average of the whole residential market in a city which may deviate from the market changes of the expatriates' housing segment and leads to overestimation or underestimation.
- The readily available rental indices are not able to take into account changes in rental levels specific to recommended districts/estates or the proposed standards and parameters for the rental accommodation.
- This approach cannot take into account any changes in the standards and parameters of the rental accommodation.
- These official housing indices may not be directly relevant to the rental trends of expatriate housing. One example of these official indices in China is the Residents' Consumer Price Index (居民消費價格指數). The living expense component in the index depicts the living costs of the entire residential market (from upper-end to low-end market), components of utilities (water, gas and electricity) and building material costs.
- The availability of official housing indices is different among cities, and there is significant time lag as some indices are published annually and the index only reflects the conditions of the past year.

Some organisations adopt a trigger point approach that the rent revision only materialises when the market changes amount to a certain level, say 5-10% appreciation or depreciation as estimated by rental price indices.

Option III. Update the rent allowances by applying freshly researched market data

Another approach is to conduct reviews by making reference to the updated market data based on the proposed standards and parameters at the time of interim reviews. With administration ease taken into consideration, annual reviews are recommended.

The latest, relevant rental information can be collated from CBRE local research team and property brokers. According to the proposed standard and parameters established by detailed review, the rent allowance rates are revised to the new levels.

Pros

- This approach can take into account the movement of expatriates' housing segment specifically on the basis matched up with the established standards and parameters of the expatriate residential accommodation.
- The method is able to take into account changes in rental levels specific to recommended districts/estates or the proposed standards and parameters for the rental accommodation.

Cons

- It involves more resources and time in collecting and analysing the market data.
- The rent allowance rate adjustment is based upon the already established standards and parameters and therefore cannot take into account any changes in the standards and parameters of the rental accommodation.

Review of Rent Allowance Mechanism

Option IV. Update the rent allowances by full review

A full review is conducted having regard to the general standard and parameters of rental accommodation for Hong Kong officers posted or seconded to the cities and the rental allowance rates regularly.

Pros

- This approach can reflect the market conditions of the residential market. The method can also take into account the changes in rental levels specific to recommended districts/estates or the proposed standards and parameters for the rental accommodation.
- This approach can take into account the movement of expatriates' housing segment specifically on the basis matched up with the established standards and parameters of the expatriate residential accommodation.

Cons

- Detailed review involves more resources and time in collecting and analysing the market data.

Review of Rent Allowance Mechanism

Evaluation of Options

Based on the analysis above, the following table summarises the benefits associated with each option.

	Time	Cost	Timely Reflection on Rental Levels	Timely Reflection on Standards & Parameters
Option I	✓✓✓✓	✓✓✓✓	✓	✓
Option II	✓✓✓	✓✓✓	✓✓✓	✓
Option III	✓✓	✓✓✓	✓✓✓	✓
Option IV	✓	✓	✓✓✓✓	✓✓✓✓

*The assessment is on relative basis.

Uplift Factor

9.0 UPLIFT FACTOR

Uplift factor for Heads of offices Commensurate with their status

It is understood that Heads of offices have a representational role and there is a need for them to host functions at home from time to time. In this regard, certain uplift factor is considered necessary in addition to the basic rent allowance.

Typically relevant officers receive housing allowance appropriate to their ranking and family size. The uplift factor represents the combined adjustment required to bring up the allowance to a level whereby a rented accommodation can be suitable for representation purposes. The uplift factor is estimated on the assumption of enhanced rented accommodation commensurate with the need of hosting hospitality:

- **Size of rental accommodation:** It is assumed that the standard of accommodation should be set for four bedroom properties for both single/married and family; and
- **Quality of rental accommodation:** The housing accommodation is of comparatively higher quality and standard and more upper-end residential districts/estates.

Based on the above assumption, the uplift factor is proposed as follows:

Group	Uplift Factor	Application
Group I to Group III	1.15	Calculated as a percentage of the total cost

The uplift factor will be applied to the total rental allowance (inclusive of additional allowance for furnishings and mandatory charges). The proposed uplift factor of 1.15 is a statistical average taken across all relevant cities of posting in the Mainland and Taiwan. For each city the cost of properties suitable for representation was assessed and compared with the standard rent allowances in determining the uplift factor. The adjustment factor of 1.15 is in keeping with similar adjustment factors used by other governments, and the existing adjustment factor applicable to the Heads of overseas ETOs as approved by the Finance Committee of the Legislative Council.



APPENDIX

**Criteria for setting standards of accommodation for officers
of different levels and family status posted/seconded to the Mainland and Taiwan**

Rank/Grade	Single/Married	Family
Group I (D6/D8)	3 bedroom Up to 25 km from office / organisation Upper-end of market	3 to 4 bedroom Up to 25 km from office / organisation Upper-end of market
Group II (D4/D5)	2 to 3 bedroom Up to 25 km from office / organisation Upper-end of market	3 to 4 bedroom Up to 25 km from office / organisation Upper-end of market
Group III (D1-D3)	2 to 3 bedroom Up to 25 km from office / organisation Upper to Medium-end of market	3 to 4 bedroom Up to 25 km from office / organisation Upper to Medium-end of market
Group IV (MPS 45-49; PPS 49-54a; GDS(O)33-39)	2 bedroom Up to 25 km from office / organisation Medium-end of market	2 to 3 bedroom Up to 25 km from office / organisation Medium-end of market
Group V (MPS28-44; PPS 30-48; GDS(O)14-32)	2 bedroom Up to 25 km from office / organisation Medium to Low-end of market	2 to 3 bedroom Up to 25 km from office / organisation Medium to Low-end of market
Group VI (MPS 27 & below; PPS 29 & below; GDS(O)13 & below)	1 to 2 bedroom Up to 25 km from office / organisation Low-end of market	2 to 3 bedroom Up to 25 km from office / organisation Low-end of market

The above general standards of accommodation notwithstanding, the consultant may take into account the special local circumstances of individual host cities.