

Listing Decisions Series 10-3 - Whether Company A, being neither an infrastructure project company nor a property company, was required to obtain the long-term land use right certificates and/or building ownership certificates for all its PRC mainland properties (January 2000) (Superseded by GL19-10)

Summary	
Name of Party	Company A - an applicant for new listing
Subject	Whether Company A, being neither an infrastructure project company nor a property company, was required to obtain the long-term land use right certificates and/or building ownership certificates for all its PRC mainland properties
Listing Rules	Exchange's announcement dated 25 March 1998 entitled "Clarification on Requirements for Land Use Title of Properties situated in the Mainland of the People's Republic of China"
Decision	Company A had to obtain the long-term land use right certificate and/or building ownership certificate for the mainland property crucial to its operations

Summary of Facts

Company A was engaged in the hotel and tourism-related business on the PRC mainland.

Company A operated a hotel, villas and theme park. However, it only had the land use right certificate for the site of the hotel and the building ownership certificates for the buildings and structures on the hotel and theme park.

The Exchange's announcement dated 25 March 1998 entitled "Clarification on Requirements for Land Use Title of Properties situated in the Mainland of the People's Republic of China" laid down the requirements in new listing applications as to when land use right certificates and/or building ownership certificates in relation to properties situated on the PRC mainland must be obtained. Where the listing applicant is an infrastructure project company or property company, the requirement is strict. A listing applicant which is neither an infrastructure project company nor a property company would also be expected to have the relevant long-term land use right certificate and/or building ownership certificate for a mainland property where the property is crucial to its operations.

The sponsor of Company A submitted that:

- the profit contribution from the villas during the track record period was not significant. Therefore, the villas were not crucial to Company A's operations;
- for the operation of a theme park, the design of the park, superstructure, management, marketing technique and service provided were more critical in attracting tourists and generating revenue; and
- the long-term lease arrangements in respect of the villas and theme park would give Company A the exclusive use of the sites during the term of the lease.

Analysis

For Company A, being neither an infrastructure project company nor a property company, the question was whether the villas and theme park were crucial to its operations. If so, the relevant long-term land use right certificate and/or building ownership certificate would have to be obtained.

Given their insignificant profit contribution, the villas were not crucial to Company A's operations. However, the theme park would be increasing in importance in terms of turnover and profit contribution and should be considered crucial to its operations.

Decision

Company A had to obtain the long-term land use right certificate and/or building ownership certificate for the mainland property crucial to its operations, namely the theme park.