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| Listing Rules and Regulations | Main Board Rule Paragraph 5.2 of Practice Note 12  
|                              | GEM Rules 11.16 to 11.19                                                                   |
| Related Publications          | The Exchange announcement “Clarification on Requirements for Land Use Title of Properties situated in the Mainland of the People’s Republic of China”, dated 25 March 1998 (attached) |

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**Important note:**  
This letter does not override the Listing Rules and is not a substitute for advice from qualified professional advisers. If there is any conflict or inconsistency between this letter and the Listing Rules, the Listing Rules prevail. You may consult the Listing Division on a confidential basis for an interpretation of the Listing Rules or this letter.

**1 PURPOSE**

1.1 This letter provides guidance on the Exchange’s requirements for the (i) land use right certificates and/or building ownership certificates (“Title Certificates”) for properties in the PRC; (ii) properties with defective titles in the PRC and Hong Kong; (iii) idle land in the PRC; (iv) civil defense projects in the PRC; and (v) land resettlement operations in the PRC. The guidance would also be applicable to companies with operations in other jurisdictions.

1.2 Applicants are expected to follow this letter when preparing their listing applications unless compelling reasons are given to the Exchange.

**2 Relevant Listing Rules**

2.1 Main Board Rule Paragraph 5.2 of Practice Note 12 states that in the case of a property located in the PRC:

(i) a long-term land use right certificate will be treated as the operative equivalent to the Hong Kong legal concept of vested title to the relevant property. The applicant should confirm, with the benefit of a PRC legal opinion from a firm authorised by an appropriate authority in the PRC to advise in relation to listed
companies, whether a long-term land use right certificate has been obtained by
the relevant party in respect of the relevant property. The Exchange may require
production of the land use certificate and may require that it be made available
for inspection; or

(ii) in respect of a grant of land by a government land administration bureau in the
PRC or with respect to a transfer of land use rights where the issue of a land use
right certificate is pending, a properly approved land grant or land transfer
contract in writing accompanied by a PRC legal opinion (as described in (i)
above) as to the validity of the approval may be acceptable as evidence of a
transferee’s pending title to the land to be granted or transferred. The Exchange
may require production of the approved contract and may require that it be
made available for inspection.

2.2 GEM Rule 11.16 states that property interests of an applicant’s property activities
must have, in respect of a substantially major portion of its PRC properties, long-term
title certificates and/or, in respect of a substantially major portion of its properties not
situated in the PRC, other appropriate evidence of title, regardless of whether such
properties are completed or still under development.

2.3 GEM Rule 11.17 states that for any applicant, not being a property company as
defined under GEM Rule 11.16, which has a PRC property that represents a
substantial portion of its assets in terms of either asset value or profit contribution, the
applicant must obtain a long-term title certificate for that PRC property.

2.4 GEM Rule 11.18 states that in the case of infrastructure companies:

(i) an applicant must obtain long-term title certificates for all PRC properties used
in infrastructure projects, whether completed or under development; and

(ii) where such companies operate under long-term concessionary arrangements
awarded by the government which arrangements do not provide for long-term
title certificates to be granted, the Exchange may accept, for the purpose of the
listing application, other evidence of the right to use the PRC property in
question for the period during which the assets are expected to be operated,
depending on the merits of each individual case.

2.5 GEM Rule 11.19 states that for any applicant not being a property company or an
infrastructure company, where a PRC property is otherwise significant to the
applicant’s activities, the applicant will be expected to have the relevant long-term
title certificate, unless otherwise permitted by the Exchange.

3 Guidance on Title Certificates for properties in the PRC (Updated in July 2013)

3.1 On 25 March 1998, the Exchange published an announcement “Clarification on
Requirements for Land Use Title of properties situated in the Mainland of the
People’s Republic of China” (“1998 Announcement”). The 1998 Announcement is
attached to this Guidance Letter.

3.2 The 1998 Announcement required all applicants, including infrastructure project
companies, property companies and other companies, to obtain long-term Title Certificates for the PRC properties.

3.3 For applicants that are not infrastructure project companies or property companies, the 1998 Announcement required the Title Certificates for the PRC properties that are crucial to their operations.

3.4 Since the 1998 Announcement, the administrative procedures to obtain the Title Certificates from the PRC registration authorities have eased. Other markets allow applicants to disclose as a risk factor in their listing documents that they do not have long-term Title Certificates. Subsequently, there have been certain changes in the Exchange’s requirement on the Title Certificates for property companies and other companies.

Property Companies

3.5 The Listing Committee has decided since 2005 that property applicants are required to obtain Title Certificates for all their completed properties and properties under development in the PRC.

Infrastructure Project Companies

3.6 The 1998 Announcement on the Title Certificates requirements for infrastructure project companies remain effective.

Other Companies

3.7 For other applicants which are neither property nor infrastructure project companies, the Exchange no longer requires the Title Certificates for the PRC properties, irrespective of their place of incorporation. Instead, the Exchange expects the applicants to disclose the risks to their operations of not having the Title Certificates for the PRC properties in their listing documents.

4 Guidance on disclosure of properties with defective titles in the PRC and Hong Kong (Updated in July 2013)

4.1 The listing document should include the following information:

(i) the reason(s) for the properties with defective titles, the usage of the defective properties, and the amount of maximum potential liabilities to an applicant (in monetary terms);

(ii) the view from an applicant’s directors, with basis, on whether the properties with defective titles are individually or collectively crucial to the applicant’s operation;

(iii) the safety conditions of buildings which have not obtained building ownership certificates or undertaken the completion inspection of construction work as required under relevant local rules and regulations;
(iv) a legal adviser’s opinion, with basis, on whether the existence of title defects will prevent the property from being bought, sold or being accepted by banks as security for mortgages;

(v) the difference in land cost/ rental an applicant would have to pay if the properties did not have defective titles (or an appropriate negative statement);

(vi) the remedial actions taken or to be taken by an applicant (or reasons for not taking any remedial actions), whether there are any legal impediments to obtain the outstanding certificates/permits and when the applicant expects to obtain them; and

(vii) the estimated time and cost for relocation and/or demolishment and loss of revenue and other related loss (if any), with basis, and how the possible relocation and/or demolishment would affect an applicant’s business and financial position.

5 Guidance on disclosure of idle land in the PRC (Updated in July 2013)

5.1 The PRC laws and regulations contain restrictions regarding the construction plans and development timeframe for land granted to property developers. The Notice on Promoting Economization of Land Use issued by the State Council on 3 January 2008 strictly enforces the policies for dealing with idle land.

5.2 If an applicant’s business involves property investment and development in the PRC, the following information should be included in the listing document:

(i) whether the applicant has failed to comply with the relevant PRC laws and regulations, including breach of agreed development plans, payment obligations, construction timeframe or other terms under the land grant contracts which may lead to risks of forfeiture of idle land, land grant deposits or other penalty;

(ii) details of the PRC land and regulations on idle land, and whether there will be any impact to the applicant given the tightened enforcement measures on property developers relating to regulations on forfeiture of idle land and/or land grant deposits;

(iii) the applicant’s remedial actions or the reasons for not taking any remedial action;

(iv) a risk factor associated with idle land and the quantitative impact to the applicant in relation to (i), (ii) and (iii) above, where material; and

(v) whether there is any other matter which needs to be brought to the Exchange’s attention.

6 Guidance on disclosure of civil defense projects in the PRC (Updated in July 2013)

6.1 According to the PRC Law on National Defense promulgated by National People’s
Congress of the PRC ("NPC") in March 1997, as amended in August 2009, national defense assets are owned by the state. According to the PRC Law on Civil Air Defense (the “Civil Defense Law”) promulgated by the NPC in October 1996, as amended in August 2009, civil defense is an integral part of national defense. The Civil Defense Law encourages the public to invest in the construction of civil defense property. Investors in civil defense property projects are permitted to use (including lease), manage the civil defense properties in time of peace and profit therefrom.

6.2 If an applicant’s business involves civil defense property projects in the PRC, the following information should be included in the listing document:

(i) the GFA and carrying amount of the civil defense area of its property development projects and the significance to the applicant’s property portfolio respectively;

(ii) the usage / intended use of the civil defense area and how it was accounted for (e.g. properties under development for sale, properties held for sale, investment properties or property, plant and equipment);

(iii) the conditions for the use of civil defense property, whether the applicant’s business operations have complied with the Civil Defense Law, and the internal control measures to ensure compliance with the Civil Defense Law; and

(iv) a risk factor associated with the use of civil defense property.

7 Guidance on disclosure of land resettlement operations in the PRC (Updated in July 2013)

7.1 If an applicant engages in land resettlement operations, the following information should be included in the listing document:

(i) the number of land resettlement agreements entered into, details of major land resettlement agreements, total cost incurred/to be incurred for the land resettlement operations, and actual or potential gain/ loss due to completion of the land resettlement operations;

(ii) whether the applicant performed the land resettlement operations by itself or engaged and supervised other parties, and the level of involvement from the local government authority;

(iii) a legal opinion, with basis, whether the land resettlement operations have complied with the PRC laws and regulation (or an appropriate negative statement); and

(iv) a risk factor associated with the land resettlement operations.
ANNOUNCEMENT

CLARIFICATION ON REQUIREMENTS FOR LAND USE TITLE OF PROPERTIES SITUATED IN THE MAINLAND OF THE PEOPLE'S REPUBLIC OF CHINA

The Exchange wishes to clarify that land use right certificates under building ownership certificates in relation to properties situated in the mainland of the People's Republic of China (the "Mainland") are required in respect of new listing applicants.

Each listing applicant is required to have long-term land use right certificates and building ownership certificates ("Title Certificates") for all Mainland properties.

For Mainland properties that do not have long-term Title Certificates, any property valuation surplus arising therefore should be excluded from both the financial statements and the net tangible asset statement in the listing document.

Each listing applicant will be considered on its own merits.

Introduction

The Exchange wishes to clarify that land use right certificates under building ownership certificates in relation to properties situated in the mainland of the People's Republic of China (the "Mainland") are required in respect of new listing applicants.

Each listing applicant is expected to have long-term land use right certificates and building ownership certificates ("Title Certificates") for all Mainland properties.

Each listing application will be examined according to the guidelines set out in this announcement. Consideration, however, will be given to the particular circumstances of individual cases.

Infrastructure Project Companies

The Exchange regards land use rights as critical to the operations of companies engaged in infrastructure projects, whether completed or under development, for example, highway projects. Accordingly, listing applicants must obtain long-term land use rights certificates for all Mainland properties used in Infrastructure projects, otherwise listing approval will not be granted.

Where infrastructure projects are operated under long-term concessionary arrangements awarded by the government which do not provide for long-term land use right certificates to be granted, the Exchange may accept, for the purpose of the listing application, other evidence of the right to use the Mainland property for the period during which the assets are expected to be operated, depending on the merits of each individual case.

Property Companies

Property companies will not be considered suitable for listing if they do not have, in respect of Mainland properties, long-term Title Certificates unless, in respect of properties not obtained in the Mainland, other appropriate evidence of title which together cover a substantially major portion of their property assets in terms of either asset value or profit contribution, regardless of whether such properties are completed or still under development.

A property company is one whose assets consist solely or mainly of properties or interests in companies whose assets consist solely or mainly of property and whose income is solely or mainly derived from these properties.

Where a Mainland property:

- represents a substantial portion of the listing applicant's property assets in terms of either asset value or profit contribution; or
- in the opinion of the Exchange, is crucial to the listing applicant's activities,

the listing applicant must obtain the long-term Title Certificate for that Mainland property, otherwise the listing application will not be approved.

Others

For applications other than Infrastructure project and property companies, where a Mainland property is crucial to the listing applicant's activities in the opinion of the Exchange, the listing applicant would be expected to have the relevant long-term Title Certificate, unless otherwise permitted by the Exchange.

Exclusion of Revaluation Surplus from Both Financial Statements and Net Tangible Asset Statement

For all listing applicants, in respect of Mainland properties where long-term Title Certificates are not obtained by the listing applicant, any property revaluation surplus arising from these Mainland properties must be excluded from both the financial statements and the net tangible asset statement in the listing document. The Exchange would expect material applicants to disclose in the first annual accounts issued after their listing, the amount of revaluation surplus excluded from the net tangible asset statement that is recognised in the carrying value of properties in the accounts.

Save for those Infrastructure projects operated by the Exchange as outlined above, where this listing applicant has interest in a joint venture company ("JV Co.") whose income stream is derived from a Mainland property but the long-term Title Certificates for such property are not obtained by the JV Co., no business valuation on the applicant's interest in such JV Co. may be included in the listing document.

Real Estate Ownership Certificates

The Exchange recognizes that some parts of the Mainland, the land use right certificates and building ownership certificates are combined into one certificate called the real estate ownership certificate. Under these circumstances, the Exchange may accept a real estate ownership certificate property issued by the land administration bureau to appropriate in accordance with the principles set out in the guidelines.

General

If sponsors of prospective listing applicants have doubts on the application of the above to their particular circumstances, they should consult the Listing Division of the Exchange as an informal and confidential basis as early as possible.

For and on behalf of
The Stock Exchange of Hong Kong Limited
Lawrence Fok
Executive Director
Listing Division

Hong Kong. 25th March, 1998