

Amendments to Main Board Listing Rules

Chapter 5

GENERAL

VALUATION OF AND INFORMATION ON PROPERTIES

Definitions

5.01 In this Chapter: -

- (1) “carrying amount” means, for an applicant, the amount at which an asset is recognised in the most recent audited consolidated balance sheet of the group as disclosed in the listing document after deducting any accumulated depreciation (amortisation) and accumulated impairment losses. For an issuer, the amount at which an asset is recognised in its latest published audited consolidated accounts or latest published interim report (whichever is more recent) after deducting any accumulated depreciation (amortisation) and accumulated impairment losses;

Note: If an acquisition is made after the latest consolidated audited accounts, the acquisition cost should be used.

- (2) “property activities” mean holding (directly or indirectly) and/or development of properties for letting or retention as investments, or the purchase or development of properties for subsequent sale, or for subsequent letting or retention as investments. It does not include holding of properties for own use;

Notes:

- (1) *Any other property interest is classified as “non-property activities”.*
- (2) *The listing document date must be used as the timing reference point to categorise a property interest into property activity or non-property activity.*

- (3) “property” means land and/or buildings (completed or construction in progress). Building includes fittings and fixtures. “Property interest” means an interest in the property;

Note: Fittings and fixtures include building services installation such as plumbing and pipes, electrical instalments, ventilation systems, escalators and improvements generally. Equipment and machinery used for production should be excluded.

A property interest may comprise:

- (a) one or more units in the same building or complex;
- (b) one or more properties located at the same address or lot number;

- (c) one or more properties comprising an integrated facility;
 - (d) one or more properties, structures or facilities comprising a property development project (even if there are different phases);
 - (e) one or more properties held for investment within one complex;
 - (f) one or more properties, structures or facilities located contiguously to each other or located on adjoining lots and used for the same or similar operational / business purposes;
or
 - (g) a project or phases of development presented to the public as one whole project or forming a single operating entity.
- (4) “total assets” means, for an applicant, the total fixed assets, including intangible assets, plus the total current and non-current assets, as shown in the latest audited consolidated financial statements in the accountants’ report in the listing document. For an issuer, total assets has the same meaning as in Chapter 14.

When required

~~5.01 Valuations of and information on all the issuer’s (or, in the case of debt securities, if applicable, the guarantor’s) interests in land or buildings (“properties”) are required to be included in a listing document issued by a new applicant.~~

Requirements for an applicant

5.01A A listing document issued by an applicant must include valuations of and information on property interests:

- (a) that form part of its (or, for debt securities, the guarantor’s) property activities except for those with a carrying amount below 1% of its total assets. The total carrying amount of property interests not valued must not exceed 10% of its total assets; and
- (b) that do not form part of its (or, for debt securities, the guarantor’s) property activities if the carrying amount of a property interest is or is above 15% of its total assets.

5.01B The listing document must include:

- (a) for property interests of an applicant’s property activities:
 - (i) the full text of valuation reports of property interests that are required to be valued except where summary disclosure is allowed; and
 - (ii) a summary disclosure if the market value of a property interest as determined by the valuer is less than 5% of its total property interests that are required to be valued under rule 5.01A(a). See Appendix 26 for the summary form of disclosure. The Exchange may accept

variation of the summary form of disclosure based on the applicant's circumstances. The valuation report setting out the information required by these Rules must be available for public inspection;

Note: The summary form of disclosure may be varied based on the applicant's circumstances. An applicant must include additional information necessary for investors to make an informed decision.

- (b) for property interests of an applicant's non-property activities:
 - (i) the full text of valuation reports if the carrying amount of a property interest is or is above 15% of its total assets; and
 - (ii) a statement that, except for the property interests in the valuation reports, no single property interest that forms part of its non-property activities has a carrying amount of 15% or more of total assets;
- (c) an overview of property interests not covered by a valuation report, including their number and approximate size range, uses, how they are held and the general description of the area where they are located. The overview may include property interests voluntarily valued and disclosed separately in the listing document; and
- (d) the general information in rule 5.10, if it applies.

5.01C Rules 5.01A and 5.01B (except rules 5.01B(c) and 5.01B(d)) do not apply to property interests ancillary to the exploration for and/or extraction of Natural Resources (as defined in Chapter 18) if the listing document includes a valuation that encompasses these Natural Resources and ancillary property interests, and together have been valued as a business or as an operating entity by a Competent Evaluator (as defined in Chapter 18).

Note: Rules 5.01A(b) and 5.01B(b) to (d) apply to property interests ancillary to the exploration for and/or extraction of Natural Resources if the listing document does not include a valuation of all the ancillary property interests conducted by a Competent Evaluator.

Requirements for an issuer

5.02 ~~In the case of~~ For an acquisition or disposal realisation of any property interest, or of a company whose assets consist solely or mainly of property, where any of the percentage ratios (as defined in rule 14.04(9)) of the transaction ~~exceeds~~ is or is above 25%, then a valuation of and information on ~~such~~ the property must be included in the circular issued to shareholders in connection with the acquisition or disposal realisation (see rules 14.66(11) and 14.69(3)) ~~unless the interest in the property is acquired from the Hong Kong Government at a public auction or by sealed tender~~ unless rule 5.02A applies. For the purposes of In this rule and in rule 5.03, a circular issued "in connection with an acquisition" includes a listing document issued ~~on for~~ for a rights issue, the proceeds of which are to be used to retire a debt with which the property or company had previously been acquired, ~~provided that such a~~ The listing document need not contain ~~such~~ a valuation report if a circular containing ~~such~~ a valuation report was issued to shareholders when ~~at the time of the acquisition of the property or company~~ was acquired.

5.02A Valuation of a property interest is not required if:

- (a) it is acquired from the Hong Kong Government at a public auction or by sealed tender; or
- (b) the property is acquired under a Qualified Property Acquisition (as defined in rule 14.04(10C)); or
- (c) the company being acquired or disposed of is listed on the Exchange, except if it is a connected transaction; or
- (d) subject to rule 5.03, the property interests in the company being acquired or disposed of is ancillary to the exploration for and/or extraction of Natural Resources (as defined in Chapter 18) and the circular includes a valuation that encompasses these Natural Resources and ancillary property interests, and together have been valued as a business or as an operating entity by a Competent Evaluator (as defined in Chapter 18); or

Note: Rule 5.02 applies to property interests ancillary to the exploration for and/or extraction of Natural Resources if the circular does not include a valuation of all the ancillary property interests conducted by a Competent Evaluator.

- (e) subject to rule 5.03, the carrying amount of a property interest in the company being acquired or disposed of is below 1% of the issuer's total assets. The total carrying amount of property interests not valued must not exceed 10% of the issuer's total assets.

5.02B Subject to rule 5.03, the circular issued under rule 5.02 must include:

- (a) for a property interest, the full text of valuation reports;
- (b) for an unlisted company whose assets consist solely or mainly of property:
 - (i) the full text of valuation reports of property interests that are required to be valued under rule 5.02 except where summary disclosure is allowed; and
 - (ii) a summary disclosure if the value of a property interest as determined by the valuer is less than 5% of the total property interests that are required to be valued under rule 5.02. See Appendix 26 for the summary form of disclosure. The Exchange may accept variation of the summary form of disclosure based on the issuer's circumstances. The valuer's report setting out the information required by these Rules must be available for public inspection; and

Note: The summary form of disclosure may be varied based on the issuer's circumstances. An issuer must include additional information necessary for investors to make an informed decision.

- (iii) an overview of property interests not covered by a valuation report, including their number and approximate size range, uses, how they are held and the general description of the area where they are located. The overview may include property interests voluntarily valued and disclosed separately in the circular;

(c) for a company listed on the Exchange whose assets consist solely or mainly of property, an overview of property interests, including their number and approximate size range, uses, how they are held and the general description of the area where they are located; and

(d) the general information in rule 5.10, if it applies.

5.03 ~~In the case of~~ For an acquisition or a disposal realisation of any property interest or of a company whose assets consist solely or mainly of property (including a company listed on the Exchange) from or to a connected person, a valuation of and information on ~~such the~~ property must be included in any circular issued to shareholders in connection with the acquisition or disposal realisation (see rule 14A.59(6)). The circular must include full text of valuation reports and the general information in rule 5.10, if it applies.

...

5.04A ~~These requirements do not apply if the property is acquired under a Qualified Property Acquisition (as defined in rule 14.04(10C)).~~ [Repealed [date]]

Valuation report requirements

Basic contents

5.05 ...

5.06 All valuation reports should normally contain the following information:—

(1) a description of each property including:—

...

(k) the options or rights of pre-emption concerning or affecting the property; and

(l) the basis of and approach to valuation for the property interest;

(m) when the site was last inspected;

(n) summary of investigation carried out, including details of inspection, such as building conditions, availability of building services, etc.;

(o) nature and source of information relied on;

(p) details of title and ownership;

(q) details of encumbrances;

(r) how the properties are grouped together for each valuation certificate;

(s) names and qualifications of persons who carried out the site inspection; and

(t) any other matters which may materially affect the value;

...

(9) ...

Note: See Practice Notes 12-and-16

Effective date

5.07 ...

Independence of valuer

5.08 ...

Other reports

5.09 ...

General disclosure

5.10 A listing document, or a circular issued under rules 5.02 and 5.03, must disclose relevant information on material properties (including leased properties).

Notes:

Information may include the following:

- (a) a general description of where the property is located (rather than only its address) and some market analysis if the property relates to property activities. For example, whether the property is located in the central business district, supply and demand information, occupancy rates, trends in property yield, sales prices, rental rates etc.;
- (b) use and approximate area;
- (c) any restrictions on its use;
- (d) an indication of how the property is held. For example, owned or leased. If leased, the remaining term of the lease;
- (e) details of encumbrances, liens, pledges, mortgages against the property;
- (f) environmental issues, such as breach of environmental regulations;
- (g) details of investigations, notices, pending litigation, breaches of law or title defects;
- (h) plans for construction, renovation, improvement or development of the property and estimated associated costs;
- (i) plans to dispose of or change the use of the property; and
- (i) any other information considered material for investors.

Chapter 11
EQUITY SECURITIES
LISTING DOCUMENTS

...

Profit Forecasts

...

11.17 ...

.... Any valuation of assets (~~other than~~ except for property interests (as defined in rule 5.01(3) land and buildings)) or businesses acquired by an issuer based on discounted cash flows or projections of profits, earnings or cash flows ~~will also be~~ is regarded as a profit forecast.

...

Chapter 14
EQUITY SECURITIES
NOTIFIABLE TRANSACTIONS

...

Profit forecast in an announcement

14.61 Any valuation of assets (~~other than~~ except for property interests (as defined in rule 5.01(3) land and buildings)) or businesses acquired by an listed issuer based on discounted cash flows or projections of profits, earnings or cash flows ~~will also be~~ is regarded as a profit forecast.

...

Major transaction circulars

14.66 A circular relating to a major transaction must contain: ~~the following:—~~

...

(11) where required by Chapter 5 of the ~~Exchange Listing Rules~~, a valuer's report the information under that Chapter on the property interest being acquired or disposed of by the listed issuer;

...

...

Inability to access information to compile circulars for major transactions or very substantial acquisitions

14.67A(1) ...

(2) ...

- (a) ...
 - (b) where information required for the enlarged group is not available, to include the following information regarding the ~~listed~~ issuer:
 - ...
 - (iii) ~~valuation report on land and/or buildings (this is applicable only to very substantial acquisitions, see rule 14.69(3))~~ [Repealed [date]];
 - ...
 - (c) ...
- (3) ...

...

Very substantial acquisition circulars and reverse takeover listing documents

14.69 A circular issued ~~in relation to~~ for a very substantial acquisition or a listing document issued ~~in relation to~~ for a reverse takeover must contain:—

- (1) ~~in respect of a listing document issued in relation to~~ for a reverse takeover,
 - (a) the information required under rule 14.66 (~~save except~~ for the information required under rules 14.66(2), 14.66(3), 14.66(10), ~~and~~ 14.66(11)) and ~~under~~ rules 14.67(3) and 14.67(7); ~~and~~
 - (b) the information required under Appendix 1, Part A, if it applies applicable, except paragraphs 8, 15(2) (in respect of the 12 months before preceding the issue of the circular or listing document) and 20(1) For paragraph 36, the statement on sufficiency of working capital must take into account the effect of the transaction; and
 - (c) [Repealed 1 January 2009]
 - (d) information on the enlarged group's property interests (as defined in rule 5.01(3)) under rules 5.01A and 5.01B;
- (2) ~~in respect of a circular issued in relation to~~ for a very substantial acquisition, the information required under rules 14.66 to 14.67 (~~save except~~ for the information required under rules ~~14.66(11) and~~ 14.67(6)) and rule 2.17;
- (3) ~~a valuation report on the enlarged group's interests in land or buildings in accordance with Chapter 5 of the Exchange Listing Rules; [Repealed [date]]~~;

...

Chapter 14A
EQUITY SECURITIES
CONNECTED TRANSACTIONS

...

Specific disclosure in circular

14A.59 The circular must contain at least:

...

- (6) information on the property interests (as defined in rule 5.01(3)) under rule 5.03 and an independent valuation if the primary significance of the asset (except for property interests) being acquired or disposed of is its capital value (for example, real property);

...

Chapter 19
EQUITY SECURITIES
OVERSEAS ISSUERS

...

19.10 The following modifications and additional requirements apply:—

...

- (5) ~~in the case of~~ for an introduction in the circumstances ~~set out~~ in rule 7.14(3), the following modifications, exceptions and additional requirements apply:—

...

- (d) where the consolidated assets and liabilities of the overseas issuer are substantially the same as those ~~the consolidated assets and liabilities~~ of the ~~listed~~ issuer or issuers whose securities have been exchanged, the requirement for a valuation and other information on ~~of~~ all the overseas issuer's property interests in land or buildings (see paragraph ~~3951A~~ of Part A of Appendix 1 and Chapter 5 ~~rule 5.04~~) will normally only be required by the Exchange if:—

...

- (e) any valuations required to be included by paragraph ~~3951A~~ of Part A of Appendix 1 and Chapter 5 ~~rule 5.04~~ (as modified by rule 19.10(5)(d)) need only be summarised in the listing document, ~~provided that~~ if a copy of the full valuation report is offered for inspection;

...

Practice Note 12

to the Rules Governing the Listing of Securities
(the "Exchange Listing Rules")

Issued pursuant to rule 1.06 of the Exchange Listing Rules

VALUATIONS OF PROPERTY SITUATED IN DEVELOPING PROPERTY MARKETS

...

2. Introduction

~~Rules 5.01 to 5.04 inclusive Chapter 5 of these Exchange Listing Rules provide for sets out valuation and other disclosure requirements for property interests when valuations are required to be included in for any listing document or circular to shareholders. Rule 5.05 provides that all valuation reports must contain all material details of the basis of valuation which must follow The Hong Kong Institute of Surveyors ("HKIS") Valuation Standards on Properties published from time to time by the HKIS or the International Valuation Standards published from time to time by the International Valuation Standards Council. Rule 5.06 sets out the information a valuation report should normally include. Rule 5.06(9) provides that thesesuch reports shall contain ~~such~~ other information as the Exchange may require. This Practice Note is intended to set out the information to be included in a valuation report pursuant to under rule 5.06(9) for in respect of property situated in a developing property market.~~

...

10. Notifiable Transactions and Connected Transactions

...

- (a) ...
- (b) may require an independent valuation report even if such report is not expressly required ~~pursuant to rule 5.02 under Chapter 5 of these Exchange Listing Rules;~~ and
- (c) ...

11. Statement by directors

Where valuations are required ~~pursuant to rules 5.01, 5.02 and 5.03 under Chapter 5 of these Exchange Listing Rules or pursuant to under~~ paragraph 10(b) of this Practice Note and where the primary method for valuing ~~the relevant a~~ property is the residual method, the Exchange may require the directors of the relevant party to include a statement in a prominent position in the relevant document with respect to the valuation of any property held for investment, development, future development and sale. In ~~such that~~ statement the directors or, ~~in the case of for a~~ connected transaction, the independent ~~board of~~ directors, must shall:—

...

...

Practice Note 16

to the Rules Governing the Listing of Securities
(the "Exchange Listing Rules")

Issued pursuant to rule 1.06 of the Exchange Listing Rules

EXCLUSION OF PROPERTY VALUATION REPORTS ON PROPERTY UNDER OPERATING LEASE FROM LISTING DOCUMENTS AND CIRCULARS

~~[Repealed [date]]~~

~~1. Definitions~~

~~Terms used in this Practice Note which are defined or interpreted in the Exchange Listing Rules shall have the same meaning as in the Exchange Listing Rules.~~

~~2. Introduction~~

~~Rules 5.01 to 5.04 inclusive of the Exchange Listing Rules provide for when valuations are required to be included in any listing document or circular to shareholders.~~

~~This Practice Note is intended to exclude the detailed valuation reports on property under operating lease from any listing document and any circular to shareholders provided that certain criteria set out below are satisfied. This Practice Note should be read in conjunction with Chapter 5 and Practice Note 12 of the Exchange Listing Rules.~~

~~3. Valuation Reports~~

- ~~(a) Subject to 3(b) below, new applications or listed issuers are required to continue to set out full valuation reports in respect of those properties legally and beneficially owned by them in the listing documents or circulars to shareholders.~~
- ~~(b) New applicants or listed issuers are not required to include the full text of a valuation report in respect of property under operating lease (as defined below) in listing documents or circulars to shareholders (as the case may be) provided that:-~~
- ~~(1) the value of the said interest in land or buildings has been determined by an independent qualified valuer as required by the Exchange Listing Rules;~~
 - ~~(2) valuation of the interest as determined by the valuer is zero;~~
 - ~~(3) the report of the independent valuer setting out the information required by paragraph 34(2) of the Third Schedule of the Companies Ordinance and/or the Exchange Listing Rules is made available to the Exchange before the issue of the listing document or circular and is referred to in the listing document or circular and made available for public inspection; and~~
 - ~~(4) a summary of all the interests in land and buildings covered by this exemption is included in the listing document or circular.~~

~~For the purpose of this exemption, an "operating lease" is a lease:-~~

- ~~(i) whereby an interest in the land or buildings is leased to the issuer and such lease or tenancy confers on the lessee no unilateral right to transfer, sublet,~~

~~mortgage or otherwise dispose of the interest in the said property without the consent of the lessor;~~

~~(ii) whose leasehold term is for a period substantially less than the estimated useful economic life of the said property; and~~

~~(iii) where the substantive risks and rewards of ownership of the said property have not been or are not proposed to be transferred from the lessor to the lessee.~~

~~(c) For all properties in 3(a) and 3(b) above, new applicants or listed issuers are required in accordance with the Exchange Listing Rules to submit full valuation reports to the Listing Division for the purpose of vetting and listing; and such valuation reports will form part of those documents which will be made available for inspection by the public.~~

4. This Practice Note takes effect from 3rd October, 1997.

Hong Kong, 29th September, 1997

Appendix 1

Contents of Listing Documents

Part A

Equity Securities

...

Financial information about the group and the prospects of the group

...

34. (1) ...

(2) ...

.... Any valuation of assets (~~other than except property interests (as defined in rule 5.01(3) land and buildings)~~ or businesses acquired by an issuer based on discounted cash flows or projections of profits, earnings or cash flows ~~will also be~~ is regarded as a profit forecast.

...

39. ~~Where required by Chapter 5, a valuation report on the issuer's interests in land or buildings in accordance with that Chapter. [Repealed [date]]~~

...

Information on property interests

51A. Where required by Chapter 5, information set out in that Chapter.

...

NOTES

...

Note 6 Where an issuer has caused any property ~~interests~~ assets to be valued (in accordance with ~~Chapter 5~~ Rule 5.04) or has caused any valuation to be made of any other tangible assets and included such a valuation in the prospectus relating to its initial public offer, the issuer is required to state in its prospectus, by way of note to the adjusted net tangible asset statement, the additional depreciation (if any) that would be charged against the income statement had such assets been stated at valuation.

...

Appendix 1

Contents of Listing Documents

Part B

Equity Securities

...

Financial information about the group and the prospects of the group

...

29. (1) ...
(2) ...

.... Any valuation of assets (~~other than~~ except property interests (as defined in rule 5.01(3)) ~~land and buildings~~) or businesses acquired by an issuer based on discounted cash flows or projections of profits, earnings or cash flows ~~will also~~ be is regarded as a profit forecast.

...

Appendix 1

Contents of Listing Documents

Part C

Debt Securities

...

Financial information about the group and prospects of the group

...

41. (1) ...

(2) ...

(3) ...

.... Any valuation of assets (~~other than~~ except property interests (as defined in rule 5.01(3)-land and buildings)) or businesses acquired by an issuer based on discounted cash flows or projections of profits, earnings or cash flows ~~will also~~ be is regarded as a profit forecast.

(4) ...

...

44. ~~Where required by Chapter 5, a valuation report on the issuer's interests in land or buildings in accordance with that Chapter. In any event a summary of all significant properties recorded as assets in the balance sheet must be included. [Repealed [date]]~~

...

Information on property interests

51A. Where required by Chapter 5, information set out in that Chapter.

...

Appendix 1

Contents of Listing Documents

Part E

Depository receipts

...

Financial information about the group and the prospects of the group

...

34. (1) ...

(2) ...

.... Any valuation of assets (~~other than~~ except property interests (as defined in rule 5.01(3)-land and buildings)) or businesses acquired by an issuer based on discounted cash flows or projections of profits, earnings or cash flows ~~will also~~ be is regarded as a profit forecast.

...

39. ~~Where required by Chapter 5, a valuation report on the issuer's interests in land or buildings in accordance with that Chapter. [Repealed [date]]~~

...

Information on property interests

74A. Where required by Chapter 5, information set out in that Chapter.

...

NOTES

...

Note 6 Where an issuer has caused any property interests ~~assets~~ to be valued (in accordance with Chapter 5~~rule 5.04~~) or has caused any valuation to be made of any other tangible assets and included such a valuation in the prospectus relating to its initial public offer, the issuer is required to state in its prospectus, by way of note to the adjusted net tangible asset statement, the additional depreciation (if any) that would be charged against the income statement had such assets been stated at valuation.

...

Appendix 1

Contents of Listing Documents

Part F

Depository receipts

...

Financial information about the group and the prospects of the group

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- 25. (1) ...
- (2) ...

.... Any valuation of assets (~~other than~~ except property interests (as defined in rule 5.01(3))~~and buildings~~) or businesses acquired by an issuer based on discounted cash flows or projections of profits, earnings or cash flows ~~will also~~ be is regarded as a profit forecast.

...

Appendix 16

DISCLOSURE OF FINANCIAL INFORMATION

...

- 27. If an ~~listed~~ issuer has caused valued any property interests ~~assets~~ to be valued (in accordance with under Chapter 5~~Rule 5.04~~) or has caused any valuation to be made of valued any other tangible assets and included such a valuation in the prospectus relating to its initial public offer and those assets are not stated at ~~such~~ valuation (or at subsequent valuation) in its first annual accounts published after listing, then the ~~listed~~ issuer is required to disclose the following additional information in its first annual report published after listing:–

...

...

Main Board Appendix 26

[Types of properties]

(E.g. properties for investments, for sale, held for development or under development)

[Geographical region]

<u>Use and name/brief description of projects</u>	<u>Total/Planned Gross Floor Area</u>	<u>Leasable/Saleable area</u>	<u>Number of rooms/units</u>	<u>Number of car parking spaces</u>	<u>Attributable to the group</u>	<u>Terms of tenure (year of leasehold expiry)</u>	<u>Construction commencement date (if under development)</u>	<u>Year of completion/Expected completion date</u>	<u>Development cost, where property is being developed (as required under 5.06(3)(e))</u>	<u>Average occupancy rate</u>	<u>Average effective rent (as required under Rule 5.06(2))</u>	<u>Attributable independent valuation as at [date]</u>
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For example:

Mixed use

[Name of project]

- Residential
- Retail
- Office

Hotel

Office

Residential

Retail

Serviced apartments