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**JOINT CONSULTATION PAPER ON PROPOSED CHANGES
TO PROPERTY VALUATION REQUIREMENTS**

A JOINT RESPONSE BY

A GROUP OF 9 INVESTMENT BANKS AND ONE LAW FIRM

22 March 2011

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below on the proposed changes discussed in the Consultation Paper downloadable from the SFC website at: <https://www.sfc.hk/sfcConsultation/EN/sfcConsultFileServlet?name=PropertyValuation&type=1&docno=1> or HKEx website at: <http://www.hkex.com.hk/eng/newsconsul/mktconsul/documents/cp201012.pdf>.

Where there is insufficient space provided for your comments, please attach additional pages.

Part I: Proposals To Amend Property Valuation Requirements For Applicants

Proposals for all Applicants

1. Do you agree with the proposed disclosure guidance for material property interests in paragraph 61 of the Consultation Paper?

Yes

No

If your answer is “No”, please give reasons and alternative views.

The Group generally agrees. However, please also take into consideration that certain disclosures such as the market analysis as proposed under paragraph 61 may be overly burdensome for listing applicants and issuers (for e.g. limitations due to lack of available and reliable information). We suggest that the Exchange and the SFC consider setting some additional parameters to the required disclosure. Please also consider offering more specific guidance as to what constitutes “materiality” in paragraph 58 (e.g. thresholds for “significant”), through further guidance letters or possible bright-line rules in the future. The Group would like the Exchange to comment on whether consideration should be given to the guidance set out in the Takeovers Code on this point (specifically Rule 11(f)) when considering the definition of "materiality" and thresholds for "significant".

2. Do you agree that the proposed definition of property activities is appropriate?

Yes

No

If your answer is “No”, please give reasons and alternative views.

There is inconsistency between the wordings in 5.01A and 5.01B of the Proposed Main Board Listing Rule Amendments to Property Valuation Requirements. The Group would like the Exchange to clarify whether the rule refers to companies which may at the same time have property activities and non property activities, as opposed to companies solely or mainly engaged in property business vs. companies not solely or mainly engaged in property business.

3. Do you agree with the proposed definition of a property interest in paragraph 67 of the Consultation Paper?

Yes

No

If your answer is “No”, please give reasons and alternative views.

The Group generally agrees. The Group also requests the Exchange and the SFC to consider including express provisions in the rules to exclude situations where the property is being occupied for a single special purpose (e.g., antenna sites for mobile phone companies, pipelines for oil and gas company etc.).

4. Do you agree with the proposed guidance on what should be treated as a single property interest in paragraph 69 of the Consultation Paper?

Yes

No

If your answer is “No”, please give reasons and alternative views.

The Group generally agrees. We suggest deletion of sub-paragraph 69(c) as it is not particularly clear. Please also consider our drafting comments on Appendix IV-A which is set out in Appendix 2 hereto.

5. In addition to the information mentioned in paragraph 74 of the Consultation Paper, is there any other information that should be disclosed in a valuation report that is not required at present by the Listing Rules? Also, is there any information that is no longer required to be disclosed in a valuation report?

Yes

No

If your answer is “Yes”, please state.

6. Do you agree with the proposal to maintain the effective date at which the property was valued under Rule 5.07 at not more than 3 months before the date of the listing document?

Yes

No

If your answer is “No”, please give reasons and alternative views.

7. Do you think that the prospectus law should retain requirements for property valuations in line with the proposals in this paper? Alternatively is it sufficient for the prospectus law to rely on the general disclosure obligation under the Companies Ordinance?

Yes

No

Please give reasons.

In order to bring the relevant HK law in line with the approach adopted by other comparable listing venues, the Group is of the view that the prospectus law should not retain this requirement. Also, the Group is of the view that the general disclosure obligations under the Companies Ordinance is sufficiently wide to allow for this.

Proposals for Property Activities

8. Do you agree not to require property valuations and disclosing valuation information if the carrying amount of a property interest of an applicant’s property activities is below a percentage of its total assets?

Yes

No

If your answer is “No”, please give reasons and alternative views.

9. Do you agree not to require valuation of a property interest with carrying amount below 1% of total assets?

Yes

No

If your answer is “No”, please give reasons and alternative views.

The Group generally agrees that this proposal makes sense if the property interest in question is a completed premise with extremely low carrying value. However, the proposal makes less sense where the property interest is in the form of a development site with a very low carrying value but with a high future development CAPEX (construction costs), which will have a significant impact on the company's future cash flow and profit & loss statement. In such instances, the Group is of the view that investors would benefit from further information on how the valuers assessed the market value of the site/property, even though the present value of the development site is low. In respect of properties with no commercial value, the Group would like the Exchange to clarify whether such properties would still need to be included in the valuation report (whether detailed or summary report) and whether the usual "no commercial value" opinion by the property valuer would be required.

10. Do you agree that the total carrying amount of property interests that do not require valuation cannot exceed 10% of the applicant's total assets?

Yes

No

If your answer is "No", please give reasons and alternative views.

11. Do you agree that a listing document should include full text of valuation reports for all property interests that are required to be valued under property activities except where summary disclosure is allowed?

Yes

No

If your answer is "No", please give reasons and alternate views.

12. Do you agree to allow summary disclosure if the market value of a property interest as appraised by the valuer is less than 5% of the property interests that are required to be valued under property activities?

Yes

No

If your answer is "No", please give reasons and alternative views.

13. Do you agree with the form for summary disclosure of property interests in Appendix II of the Consultation Paper?

Yes

No

If your answer is “No”, please give reasons and alternative views.

14. Do you agree that an applicant should be required to include an overview in the listing document describing all property interests not covered by a valuation report?

Yes

No

If your answer is “No”, please give reasons and alternative views.

The Group generally agrees, but would suggest that such “overview” be limited to material properties which are not subject to the valuation report requirements. The current disclosures in HK prospectuses are substantially more than those in other jurisdictions. To include disclosures which are not otherwise material tends to distract the investors from focusing on material matters.

15. Do you agree that the proposed class exemption notice should apply to prospectus for unlisted companies as well as applicants?

Yes

No

If you answer is “No”, please give reasons and alternate views.

16. Do you agree that the proposed class exemption notice in Appendix III of the Consultation Paper will implement the proposals for property activities?

Yes

No

If you answer is “No”, please give reasons and alternate views.

The Group notes that there appears to be a slight inconsistency in the drafting of the proposed exemption notice and the Listing Rules. The proposed drafting in the exemption notice states that if the mining property interest has a carrying value representing less than 15% of the group's total assets, there is an exemption from producing a valuation report even if there is no valuation of the natural resources.

Whilst, on the other hand, the proposed drafting in the Listing Rules require a valuation by a qualified valuer of natural resources to avoid a valuation of property interests ancillary to exploration/extraction of natural resources. There does not appear to be a reference to the size of the property interest. In other words, even if the property interest is below the 15% threshold, a valuation of the natural resources is required (which is different to the exemptions under the exemption notice).

Please consider our additional comments in this questionnaire and, where acceptable, include them in the drafting of the proposed class exemption notice.

17. Do you agree that the proposed Listing Rule amendments in Appendices IV.A and IV.B of the Consultation Paper will implement the proposals for property activities?

Yes

No

If your answer is “No”, please give reasons and alternative views.

The Group generally agrees. Please also consider our drafting comments on Appendix IV-A which is set out in Appendix 2 hereto.

Proposals for Non-Property Activities

18. Do you agree that a full text of valuation report is required if the carrying amount of a property interest is or is above 15% of an applicant's total assets?

Yes

No

If your answer is “No”, please give reasons and alternative views.

19. Do you agree that the 15% threshold should be calculated using:

- (a) the carrying amount of a property interest; and
- (b) total assets

reflected in the accountants' report of the applicant?

Yes

No

If your answer is "No", please give reasons and alternative views.

20. Do you agree with the proposed disclosure requirement for property interests in paragraph 98 of the Consultation Paper?

Yes

No

If your answer is "No", please give reasons and alternative views.

The Group agrees. In addition, we suggest that, where possible, listing applicants should be given some flexibility to use plain language to describe this in the prospectus (as opposed to a verbatim statement to meet the content requirements of the Listing Rules).

21. Do you agree that an applicant should be required to include an overview in the listing document describing all property interests not covered by a valuation report?

Yes

No

If your answer is "No", please give reasons and alternative views.

The Group generally agrees. We suggest that the "overview" should be limited to *material* interests as per guidance in paragraph 61. Please also refer to our response to Question 14.

22. Do you agree that property interests ancillary to mining activities will not be required to be valued if the prospectus includes a valuation by an independent professionally qualified valuer of the associated mineral or petroleum assets or resources?

Yes

No

If your answer is “No”, please give reasons and alternative views.

The Group requests that the Exchange clarify whether this relaxation will also include situations where there is a Competent Persons Report (as defined in Chapter 18 of the Listing Rules). The Group would like to suggest that if the situation involves property interests that are ancillary to mining activities, a valuation (whether by an independent professional qualified valuer or a Competent Persons Report) will not be required.

23. Do you agree that the proposed class exemption notice should apply to prospectus for unlisted companies as well as applicants?

Yes

No

If you answer is “No”, please give reasons and alternate views.

24. Do you agree that that proposed class exemption notice in Appendix III of the Consultation Paper will implement the proposals for non-property activities?

Yes

No

If you answer is “No”, please give reasons and alternate views.

Please consider our additional comments in this questionnaire and, where acceptable, include them in the drafting of the proposed class exemption notice.

25. Do you agree that the proposed Listing Rule amendments in Appendices IV.A and IV.B of the Consultation Paper will implement the proposals for non-property activities?

Yes

No

If your answer is “No”, please give reasons and alternative views.

The Group generally agrees. Please also consider our drafting comments on Appendix IV-A which is set out in Appendix 2 hereto.

Part II: Proposals To Amend Property Valuation Requirements For Issuers

26. Do you agree with the proposed disclosure guidance for material property interests in paragraph 61 of the Consultation Paper?

Yes

No

If your answer is “No”, please give reasons and alternative views.

The Group generally agrees. Please also refer to our response to Question 1.

27. Do you agree that it is unnecessary to introduce different valuation requirements for acquisition or disposal of non-property activities and property activities for issuers?

Yes

No

If your answer is “No”, please give reasons and alternative views.

We are of the view the reasons for the distinguishing between companies engaging in property activities and non-property activities should continue after listing.

28. Do you agree with the proposal to remove valuation requirements if the company being acquired or disposed of is listed on the Exchange, except for a connected transaction (see paragraph 123 of the Consultation Paper)?

Yes

No

If your answer is “No”, please give reasons and alternative views.

29. Do you agree that an overview of property interests not covered by a valuation report be disclosed in the circular?

Yes

No

If your answer is “No”, please give reasons and alternative views.

The Group generally agrees. We suggest that the “overview” should be limited to *material* interests as per guidance in paragraph 61. Please also refer to our response to Question 14.

30. Do you agree not to require property valuations and disclosing valuation information for acquisition or disposal of an unlisted company if the carrying amount of a property interest is below a percentage of the issuer’s total assets?

Yes

No

If your answer is “No”, please give reasons and alternative views.

The Group generally agrees that this proposal makes sense if the property interest in question is a completed premises with extremely low carrying value. However, the proposal makes less sense where the property interest is in the form of a development site with a very low carrying value but with a high future development CAPEX (construction costs), which will have a significant impact on the company’s future cash flow and profit & loss statement. In such instances, the Group is of the view that investors would benefit from further information on how the valuers assessed the market value of the site/property, even though the present value of the development site is low.

31. Do you agree not to require valuation of property interest with carrying amount below 1% of the issuer’s total assets?

Yes

No

If your answer is “No”, please give reasons and alternative views.

The Group agrees with setting a threshold carrying amount. However, please consider our suggestion on having separate thresholds for companies engaging in property activities and those in non-property activities.

Also, the Group generally agrees that this proposal makes sense if the property interest in question is a completed premise with extremely low carrying value. However, the proposal makes less sense where the property interest is in the form of a development site with a very low carrying value but with a high future development CAPEX (construction costs), which will have a significant impact on the company’s future cash flow and profit & loss statement. In such instances, the Group is of the view that investors would benefit from further information on how the valuers assessed the market value of the site/property, even though the present value of the development site is low.

32. Do you agree that the total carrying amount of property interests that do not require valuation cannot exceed 10% of the issuer's total assets?

Yes

No

If your answer is "No", please give reasons and alternative views.

The Group agrees with setting a threshold carrying amount. However, please consider our suggestion on having separate thresholds for companies engaging in property activities and those in non-property activities.

33. Do you agree with the proposed definition of property interest in paragraph 67 of the Consultation Paper?

Yes

No

If your answer is "No", please give reasons and alternate views.

The Group generally agrees. Please also refer to our response to Question 3. We suggest that the Exchange and the SFC considers changing the proposed definition of property interest to exclude an option to purchase.

34. Do you agree with the proposed guidance on what should be treated as a single property interest in paragraph 69 of the Consultation Paper?

Yes

No

If your answer is "No", please give reasons and alternate views.

The Group generally agrees. Please also refer to our response to Question 4.

35. Do you agree that a circular should include full text of valuation reports for all property interests that are required to be valued except where summary disclosure is allowed?

Yes

No

If your answer is "No", please give reasons and alternate views.

36. Do you agree to allow summary disclosure if the market value of a property interest as appraised by the valuer is less than 5% of the property interests that are required to be valued?

Yes

No

If your answer is “No”, please give reasons and alternative views.

The Group generally agrees that this proposal makes sense if the property interest in question is a completed premise with extremely low carrying value. However, the proposal makes less sense where the property interest is in the form of a development site with a very low carrying value but with a high future development CAPEX (construction costs), which will have a significant impact on the company’s future cash flow and profit & loss statement. In such instances, the Group is of the view that investors would benefit from further information on how the valuers assessed the market value of the site/property, even though the present value of the development site is low.

37. Do you agree with the form for summary disclosure of property interests in Appendix II of the Consultation Paper?

Yes

No

If your answer is “No”, please give reasons and alternative views.

38. Do you agree that an overview of property interests not covered by a valuation report be disclosed in the circular?

Yes

No

If your answer is “No”, please give reasons and alternative views.

The Group generally agrees. We suggest that the “overview” should be limited to *material* interests as per guidance in paragraph 61. Please also refer to our response to Question 14.

39. Do you agree that for an acquisition or disposal of an unlisted company, valuations will not be required for property interests ancillary to mining activities if the circular includes a valuation by an independent professionally qualified valuer of the associated mineral or petroleum assets or resources?

Yes

No

If your answer is “No”, please give reasons and alternative views.

The Group requests that the Exchange clarify whether this relaxation will also include situations where there is a Competent Persons Report (as defined in Chapter 18 of the Listing Rules).

40. Do you agree with the proposal relating to a very substantial acquisition in paragraph 121 of the Consultation Paper?

Yes

No

If your answer is “No”, please give reasons and alternative views.

41. Do you agree with the proposal to retain the existing valuation requirements for connected transactions?

Yes

No

If your answer is “No”, please give reasons and alternative views.

42. Do you agree that valuation will continue to be required if the connected transaction involves an acquisition or disposal of a company listed on the Exchange?

Yes

No

If your answer is “No”, please give reasons and alternative views.

43. Do you agree with the proposals relating to connected transactions in paragraph 125 of the Consultation Paper?

Yes

No

If your answer is “No”, please give reasons and alternative views.

44. In addition to the information mentioned in paragraph 74 of the Consultation Paper, is there any other information that should be disclosed in a valuation report that is not required at present by the Listing Rules? Also, is there any information that is no longer required to be disclosed in a valuation report?

Yes

No

If your answer is “Yes”, please state.

45. Do you agree with the proposal to maintain the effective date at which the property was valued under Rule 5.07? (Please note that the same question has been raised for applicants in question 6).

Yes

No

If your answer is “No”, please give reasons and alternative views.

46. Do you agree that the proposed Listing Rule amendments in Appendices IV.A and IV.B of the Consultation Paper will implement the proposals for issuers?

Yes

No

If your answer is “No”, please give reasons and alternative views.

The Group generally agrees. Please also consider our drafting comments on Appendix IV-A which is set out in Appendix 2 hereto.

- End -

APPENDIX 1

1. Citigroup Global Markets Asia Limited
2. Credit Suisse (Hong Kong) Limited
3. Goldman Sachs (Asia) L.L.C.
4. The Hongkong and Shanghai Banking Corporation Limited
5. J.P. Morgan Securities (Asia Pacific) Limited
6. Macquarie Capital Securities Limited
7. Merrill Lynch Far East Limited
8. Morgan Stanley Asia Limited
9. UBS AG, Hong Kong Branch

APPENDIX 2

APPENDIX IV.A: PROPOSED MAIN BOARD LISTING RULE AMENDMENTS TO PROPERTY VALUATION REQUIREMENTS

Main Board Listing Rule amendments

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 [prospectus 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 public audited consolidated](#) accounts or latest published interim report (whichever is more recent) after deducting any accumulated depreciation (amortisation) and accumulated impairment losses;
- (2) “property activities” mean holding (directly or indirectly) and/or development of properties for letting and/or retention as investments, or the purchase or development of properties for subsequent sale, or for [subsequent letting and/or](#) retention as investments. It does not include holding of properties for own use;
- (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. [\[Comment: To add note clarifying that single special purpose sites are excluded.\]](#)*

A property interest may comprise:

- (a) *one or more units in the same building [or complex, or on the same land](#);*
- (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 buildings, 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 buildings, 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 ~~as a whole~~ 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 that ascribed 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 (i) those property interest, each with a carrying amount below 1% of its total assets. ~~The, and~~ (ii) the total carrying amount of all property interests not valued must not exceed 10% of the its total assets; and
- (b) that do not form part of its property activities if the carrying amount of ~~a~~ such property interest is or is above 15% of its total assets.

5.01B The listing document must include:

- (a) for property interests of an ~~issuer’s~~ applicant solely or mainly engaged in 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 ~~issuer’s~~ applicant’s circumstances.
 - (iii) The valuer’s report setting out the information required by these Rules must be available for public inspection; **[Comment: Where and for how long? 14 days in HK?]**
- (b) for property interests of an ~~issuer’s non-~~ applicant not solely or mainly engaged in 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 stated in the valuation reports, there is no ~~single~~ property interest that ~~forms part of its non-property activities~~ has an individual carrying amount of 15% or more of its total assets;

[Comment: Should materiality test be applied?]

(c) an overview of [material] property interests not covered by a valuation report, **[Comment: To specify this includes summary disclosure.]** 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) to the extent applicable the general information in rule 5.10. ~~if it applies.~~

[Comment: There is inconsistency between the wording in 5.01A and 5.01B. Could the Exchange please clarify whether the rule refers to companies which may at the same time have property activities and non property activities, as opposed to companies solely or mainly engaged in property business vs companies not solely or mainly engaged in property business.]

5.01C Rules 5.01A and 5.01B 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 by an independent professionally qualified valuer of the Natural Resources. **[Comment: To clarify whether this includes Competent Person Report.]**

Requirements for an issuer

5.02 ~~In the case of~~ For an acquisition or 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 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 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 proposed to be acquired. **[Comment: Both terms "realisation" and "disposed of" / "disposition" have been used. Suggest using one term throughout for consistency.]**

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 company being acquired or disposed of is listed on the Exchange, except if ~~it is~~ such acquisition or disposition, or contemplated arrangement or transaction, constitutes a connected transaction or part thereof (where shareholders' approval is required to be obtained); or
- (c) ~~the~~ 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) if the circular includes a valuation by an independent professionally qualified valuer of the Natural Resources; or **[Comment: See comment to Rule 5.01C. Also, reconcile with LR14.69(d).]**
- (d) (i) 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~~, and (ii) the total carrying amount of all property interests not valued must not exceed 10% of the issuer's total assets. **[Comment: Different thresholds should apply to property activities vs non property activities.]**

5.02B ~~The~~ In connection with the following, the circular must include:

- (a) for acquisition or realisation of a property interest, the full text of valuation reports;
- (b) for acquisition or realisation of 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 **[Comment: 14 days in HK?]**
 - (iii) an overview of [material] 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;
- (c) for a company listed on the Exchange whose assets consist ~~solely~~ solely or mainly of property, an overview of [material] 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; and **[Comment: There should be a carve out for connected transactions which require shareholder approval. Also, this states that "an overview of property interests not covered by a valuation report." This says that the valuation report is not required to be disclosed in the circular if the company to be acquired/disposed of is listed on HKSE. However, will there be a case where a valuation report is not prepared**

for such acquisition/disposal? If so, the wording “not covered by a valuation report” is not correct and will not capture all scenarios.]

(d) to the extent applicable the general information in rule 5.10, ~~if it applies.~~

5.03 In circumstances where shareholders’ approval is required to be obtained for ~~In the case of For~~ an acquisition or a 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 realisation (see rule 14A.59(6)). The circular must include full text of valuation reports and, to the extent applicable the general information in rule 5.10, ~~if it applies.—. [Comment: both terms “realisation” and “disposal of” / “disposition” have been used. Suggest using one term throughout.]~~

...

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 methodology for~~ valuation for the property interest;

(m) when the site was last inspected;

(n) extent of investigation, 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; and

(s) 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. 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.;
[Comment: It is not clear whether the market analysis should only be required for property activities.]
- (b) use and approximate area;
- (c) any restrictions on its use;
- (d) an indication of how the assets are held. For example, owned or leased. If leased, ~~what's is~~ 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) to the extent it is presently contemplated future plans for construction, renovation, improvement or development of the property and estimated associated costs; and
- (i) any other information considered ~~important~~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 reports, information and/or disclosures specified under that Chapter on the property interest being acquired or disposed of by an 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 to the extent 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) the information required under Appendix 1, Part A. 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; [Comment: Reconcile with LR 5.02A(c). Clarify that if LR 5.01C applies then 5.01A and 5.01B do not apply here either. NB. If it is a major transaction, then under LR 18.09 (3), a value report must be produced.]
- (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 interest (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 properties, 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;

...