

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.

We agree that the sub paragraphs (a) to (i) of paragraph 61 are applicable to companies principally engaging in property investment and/ or development. However, for those companies’ core business unrelated to property investment and/or development such as manufacturing business, it is recommended to apply (a) to (i) but carve out “market analysis such as property yields, sales prices, rental rates, supply and demand information” from part (a). It is because readers and investors may not find it meaningful to assess such detailed market analysis information as suggested for non-property focused companies.

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.

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.

We agree to the definition but it seems that for valuation purpose fitting and fixtures under such definition are more relevant for fixed assets used for non-property activities because it is more common to apply income approach to value investment property. Since fitting and fixtures would have less impacts in terms of valuation of investment properties, it is suggested that adjustment need to be made to deal with the above circumstances.

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.

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.

We would like to raise for consideration that the property valuer should use plain language under sub-paragraph (c) of paragraph 74 in respect of assessment of conditions of building structure including building surveying, civil engineering, otherwise the readers may not find the information meaningful and/or would be overly technical to the readers

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.

The existing Companies Ordinance requires a company to include in its prospectus a valuation report for all its interests in land or buildings if the interests shown in the company’s last accounts exceed 10% of its assets or have a value of not less than HK\$3,000,000. The threshold of HK\$3,000,000 may not be pertinent or no longer appropriate given that it was introduced in the 1980s and since then the price levels of properties in Hong Kong have increased substantially.

On the other hand, with increasing number of overseas companies seeking listing in Hong Kong Stock Exchange, the threshold of HK\$3,000,000 under the Companies Ordinance may not be appropriate especially in light of the different property market conditions in different overseas countries.

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.

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.

It is suggested to add new columns, namely “Total Acquisition Costs” and “Year of Acquiring the Property Interests”

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.

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.

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.

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.

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.

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.

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.

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.

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.

We agree that the sub paragraphs (a) to (i) of paragraph 61 are applicable to companies engaging in property investment and/ or development. However, for those companies’ core business unrelated to property investment and/or development such as manufacturing business, it is recommended to apply (a) to (i) but carve out “market analysis such as property yields, sales prices, rental rates, supply and demand information” from part (a). It is because readers and investors may not find it meaningful to assess such detailed market analysis information as suggested for non-property focused companies

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.

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.

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.

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.

We believe that it is relevant to consider whether the unlisted company (the subject matter of acquisition or disposal) is engaging in property activities or non-property activities. If it is non property activities then the 15% threshold as described in paragraph 13 should apply.

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.

We believe that it is relevant to consider whether the unlisted company (the subject matter of acquisition or disposal) is engaging in property activities or non-property activities. If it is property activities, the 10% threshold above can apply. If it is non property activities then the 15% threshold as described in paragraph 13 should apply.

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.

We agree to the definition but it seems that for valuation purpose fitting and fixtures under such definition are more relevant for fixed assets used for non-property activities because it is more common to apply income approach to value investment property. Since fitting and fixtures would have less impacts in terms of valuation of investment properties, it is suggested that adjustment need to be made to deal with the above circumstances.

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.

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.

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.

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.

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.

We would like to raise for consideration that the property valuer should use plain language under sub-paragraph (c) of paragraph 74 in respect of assessment of conditions of building structure including building surveying, civil engineering, otherwise the readers may not find the information meaningful and/or would be overly technical to the readers

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.

- End -