

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please make your comments by replying to questions below against proposed changes discussed in the Consultation Paper at the hyperlink:

<http://www.hkex.com.hk/eng/newsconsul/mktconsul/documents/cp201009.pdf>

Where there is insufficient space, please attach additional pages as necessary.

A. Exemption for Qualified Property Acquisitions

(1) Scope of the QPA exemption

- 1 (a). Do you agree with the proposal to expand the QPA exemption to acquisitions of land or property development projects in the Mainland from government through the PRC Government Auction Process?

☒ Yes

☐ No

Please provide reasons.

Considering that acquiring government land through auction process is a common practice in the PRC and the PRC Government Auction Process is now fairly structured and established, the proposal will help to remove the practical difficulties faced by certain listed issuers in complying with the shareholders' approval requirement in the Listing Rules in respect of their PRC government land acquisitions. This is particularly the case in view of the growth of the PRC property market over the past years.

- 1 (b). For the proposed exemption described in 1(a), do you agree with the proposal to exempt government or government entities falling under the current definition of "PRC Governmental Body" in Rule 19A.04?

☒ Yes

☐ No

Please provide reasons.

This proposal will be expected to extend the QPA exemption to various PRC government entities which may participate in the PRC Government Auction Process.

2. Do you propose other jurisdictions which should qualify for the QPA exemption?

☒ Yes

☐ No

If your answer is "Yes", please provide details of the legislation and requirements for government land auctions in those jurisdictions and your analysis why they would fit the criteria described in paragraphs 23 and 27 of the Consultation Paper.

The question of whether the requirements for government land auctions in other jurisdictions would fit the criteria described in the Consultation Paper should be better left to the listed issuer and its advisers to answer at the time the government land auction is conducted, as the auction process of any country may evolve and change over time.

3. Do you agree with the proposal to grant similar waivers to government land acquisitions in other jurisdictions on an individual case basis?

☐ Yes

☒ No

Please provide reasons.

Provided that the government land acquisitions in other jurisdictions can satisfy the criteria to be prescribed by the Stock Exchange, they should also be able to enjoy the QPA exemption, without having to apply for waivers on a case-by-case basis.

4. Do you agree with the factors for granting individual waivers described in paragraph 27 of the Consultation Paper?

☐ Yes

☒ No

Please provide reasons.

We agree with the factors described in paragraph 27 of the Consultation Paper. However, as stated in our response for Question 3 above, the QPA exemption should be extended to government land acquisitions in other jurisdictions on the condition that they satisfy certain criteria to be prescribed by the Stock Exchange, and individual waivers need not be applied for.

(2) **Conditions for QPA exemption**

5. Do you agree with the proposed change to the exemption conditions described in paragraph 34 of the Consultation Paper for property joint ventures with independent third parties?

☒ Yes

☐ No

Please provide reasons.

The proposed change is appropriate as the "pro-rata" requirements sometimes are not consistent with the commercial reality for joint venture operation.

6. Do you agree with the proposed change to the exemption conditions described in paragraph 34 of the Consultation Paper for property joint ventures with Qualified Connected Persons?

☒ Yes

☐ No

Please provide reasons.

The confirmation by the independent board committee and independent financial adviser would give further assurance to public shareholders on the fairness and reasonableness of the terms, financing and profit distribution arrangements of the joint venture which qualifies for the QPA exemption.

(3) **General Property Acquisition Mandate**

7. Do you agree with the proposal to remove the requirements relating to the General Property Acquisition Mandate currently applying to the formation of joint ventures with Qualified Connected Persons?

☒ Yes

☐ No

Please provide reasons.

We agree with the reasonings and concerns set out in paragraphs 38 and 39 of the Consultation Paper, in particular, the requirements for a prior mandate and proposed cap create compliance difficulties in practice.

(4) Disclosure requirements

8. Do you agree with the proposal to accelerate the disclosure of information relating to the joint ventures for Qualified Property Acquisitions (which is currently required to be made in the annual report) to the announcement/circular stage?

☒ Yes

☐ No

Please provide reasons.

However, the proposal should only require disclosure at the announcement/circular stage for information so far as it is available at such time. This is because, for instance, information relating to the joint venture for a joint PRC land acquisition may not be available until such joint venture is established, which may only take place subsequent to the entering into the land use right transfer contract with the PRC government entity, the transaction triggering the Chapter 14/14A disclosure obligations. Please also refer to our comment in Question 10 below.

(5) Property valuation

9. Do you agree with the proposal to exempt property valuation requirement for acquisitions falling under the QPA exemption?

☒ Yes

☐ No

Please provide reasons.

We agree to the views set out in paragraph 50 of the Consultation Paper.

(6) **Changes to the Rules**

10. Do you have any comments on the draft Rule amendments relating to the QPA exemption in Part A of Appendix I of the Consultation Paper?

☒ Yes

☐ No

If you answer is "Yes", please state.

In our experience, it is quite often the case that the joint venture vehicle (i.e. the project company) to be used for the land acquisition and development will not have been established at the time of land bidding. Accordingly, there will be practical difficulties in complying with the proposed Rules 14.33B and 14A.73 in respect of disclosing the details of the joint venture upon notification of the success of the land bid. The drafting of proposed Rules 14.33A and 14A.72 also assumes that the joint venture will have been established at the time of the land bidding and will thus create compliance difficulties.

B. Formation of joint ventures

11. Do you agree with the proposal to exempt "revenue joint venture projects" described in paragraph 61 of the Consultation Paper?

☒ Yes

☐ No

Please provide reasons.

It is appropriate and logical that if an issuer uses a joint venture only to carry out revenue transactions in its ordinary course of business, the joint venture formation should be exempted from being treated as transaction under the Listing Rules on notifiable transactions.

12. Do you agree that the proposed draft Rule amendments in Part B of Appendix 1 of the Consultation Paper will implement our proposal?

☒ Yes

☐ No

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

13. Do you have other comments on this consultation paper?

☐ Yes

☒ No

If your answer is "Yes", please state.

- End -