

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.

We agree with the proposal to expand the QPA exemption to the acquisition of land or property development projects in the Mainland from government through the PRC Government Auction Process due to following reasons:

1. Acquiring land through auctions or tenders is a common and transparent operational model for developers operating in the PRC, shareholders and investors of the issuers should be aware of this when investing in their shares.
2. Similar to the Hong Kong SAR Government auction system, the PRC Government Auction Process is fairly structured and established, and most importantly, the disclosure of bid information may undermine the issuer's competitiveness and chances for success of the bids. This confidentiality issue is similar to the issues with Hong Kong land auctions.
3. In view of fairness, the QPA exemptions granted to the property developers for land acquisitions in Hong Kong should also be available to acquisitions of land or property development projects from government or government-controlled entities through public auctions or tenders in the Mainland.

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.

As discussed in Q.1(a), we agree to expand the QPA exemption to acquisitions of land or property development projects in the Mainland from PRC Government bodies through public auctions or tenders.

We consider the application of the current definition “PRC Governmental Body” in Rule 19A.04 is appropriate to the extent that it covers all government bodies in the PRC with the capacity of running government land auctions in the Mainland.

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.

Jurisdiction should not be the key determining factor in assessing the QPA exemption. Instead, we consider a clear set of criteria should be established and applied to government land auctions across different jurisdictions. The major criteria should cover the following:

1. The land is acquired by the listed issuer for development and construction of properties and sales in the issuer's ordinary and usual course of business. Hence, the land acquisition is a revenue transaction.
2. The land auction is under a competitive bidding process regulated by relevant and appropriate established rules/requirements. The process is fairly structured with little or no discretion on setting individual terms. Price is the only determining factor in the auction process.
3. Acquisition of government land through auctions is a common operational model in that jurisdiction.

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.

Instead of granting similar waivers to government land acquisitions on an individual case basis, as discussed in Q.2 above, we consider a clear set of criteria should be established and applied across different jurisdictions to ensure that the waiver granting process is fair to all listed issuers.

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 do not agree granting waivers to government land acquisitions on an individual case basis for the reasons set out in Q.2 and Q.3 above.

(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.

We agree the removal of the following two conditions in relation to the QPA exemption:

1. The joint venture partners will provide financing to the joint venture on a several basis and in proportion to their respective equity interests and
2. The net proceeds from the sales and / or leasing of the land or property will be distributed in full to the joint ventures partners in proportion to their respective equity interests.

On the basis that the joint venture is established with independent third parties, we consider investors are able to rely on the issuer's board of directors together with the corporate governance system to confirm such financing and distribution arrangements are fair and reasonable.

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.

Unlike an arrangement with independent third parties, we consider a transaction with a connected person should be subject to a higher level of checks and balances. We agree that an independent board committee and independent financial advisers are required to confirm the fairness and reasonableness of a property joint venture with Qualified Connected Persons.

(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 proposal to remove the mandate requirements for the following reasons:

1. It may not be possible for the issuer to predict future land supply and the structure and predetermine scale of possible property joint ventures or to identify the future business partners.
2. It is difficult to seek prior shareholder approval if no solid and meaningful terms and caps are set for shareholders to vote upon.
3. Property joint ventures are common industry practice in the real estate developer sector, shareholders and investors in their issuers should be aware of this when investing in their shares.
4. Since property joint ventures are common practice, investors should be able to rely on management to make relevant decisions.

(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.

We agree with the proposal to accelerate the disclosure of information relating to the joint ventures for Qualified Property Acquisitions to the announcement/circular stage in order to provide more timely information to shareholders and investors.

(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 with the proposal to exempt property valuation requirement for acquisition falling under the QPA exemption because a price arrived at through a competitive bidding process should already reflect the market value of the property.

We are also aware of that the same principle has already been applied for land acquisitions in Hong Kong under the QPA exemption. Currently a property issuer who uses the QPA exemption does not need to prepare a property valuation report for inclusion in its information circular. This is because, as a condition of the QPA exemption, the land or property project must be acquired in Hong Kong from government through public auctions or tenders.

In light of the proposal to expand the QPA exemption to government land acquisitions in the Mainland through auctions or tenders and other jurisdictions, we consider the same exemption should be applied if the transaction price is arrived at through a competitive bidding process which fulfils all the QPA exemption conditions.

(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.

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.

| |
|--|
| <p>We agree with the proposal to exempt the formation of a joint venture from being treated as a notifiable transaction when all three conditions were met:</p> <ol style="list-style-type: none">1. The joint venture engages in a single purpose project which is of a revenue nature to the issuer.2. The joint venture arrangement is in the issuer's ordinary and usual course of business, on an arm's length basis and on normal commercial terms.3. The joint venture agreement contains clause(s) to the effect that the entity may not, without the joint venture partners' unanimous consent: change the nature or scope of its business or enter into any transactions which are not on an arm's length basis. |
|--|

12. Do you agree that the proposed draft Rule amendments in Part B of Appendix I 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 -