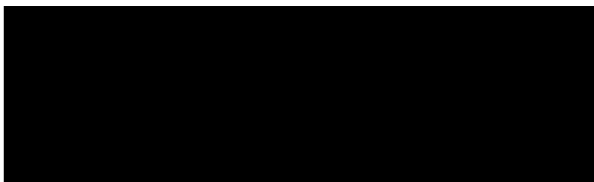




Great Eagle
Holdings Limited
鷹君集團有限公司
(Incorporated in Bermuda with limited liability)



Our Ref: GE/CS/10

12 November 2010

BY FAX (2524 0149) AND BY HAND

Corporate Communications Department
Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Dear Sirs,

Re: Response to the Consultation Paper on Proposed Changes to Requirements for Qualified Property Acquisitions and Formation of Joint Venture

We refer to the Consultation Paper ("Consultation Paper") on the Proposed Changes to Requirements for Qualified Property Acquisitions and Formation of Joint Venture published by the Exchange in September 2010.

We welcome the effort of the Exchange to review the current rules regarding Qualified Property Acquisition ("QPA"). Our response to the questionnaire is enclosed herewith. In general, the proposals as contained in the Consultation Paper are agreeable.

However, we consider that the exemption for property joint ventures shall be extended to cover non-Qualified Connected Person (including the listed company level connected persons and subsidiary level connected person who are connected not solely because of its interest in the joint venture in question) for the reasons stated below:

1. *No distinction should be drawn between Qualified Connected Person ("QCP") and non-Qualified Connected Person ("Non-QCP")*

We submit that no distinction should be drawn between QCP and Non-QCP. Under the Exchange's proposal, safeguard against potential abuse of the QPA exemption in the context of joint venture with QCP is achieved by the following requirements:

- a) the board of the Qualified Issuer (as defined in the Consultation Paper), the independent board committee and the independent financial adviser shall confirm that the QPA and the joint venture (including its financing and profit



distribution arrangements) are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Qualified Issuer and its shareholders as a whole;

- b) the property project must be single purpose;
- c) the joint venture agreement must require consent from listed issuer for any change of business nature and scope or for transactions that are not on an arm's length basis. We consider unanimous consent from joint venture partners is absolutely not necessary as it will only protect the interest of the joint venture partners rather than the listed issuer.

In addition, there are certain disclosure requirements as more particularly set out in the Consultation Paper.

It is submitted that if all the above conditions and requirements are complied with, independent shareholders' interest will be sufficiently safeguarded and hence the QPA exemption should apply to joint venture with QCP and Non-QCP alike.

It is acknowledged that the independent shareholders would not be afforded the right to vote even if the joint venture partner is a listed company level connected person. However, it is the impracticality of obtaining prior independent shareholders' vote in the context of QPA which prompted the proposed exemption in the first place.

Moreover, the Exchange also recognizes that the Listing Rules need to strike a balance between shareholder protection and allowing management to operate the issuer's business. We submit that QPA is an appropriate situation where the balance should be struck in favour of giving the management more flexibility to operate the issuer's business.

2. Exclusion of non-Qualified Connected Person will restrict business opportunity of Qualified Issuers

The Exchange recognizes that forming joint venture to acquire land through auctions or tenders is a common operational model for developers and well known to the market. Prior shareholder approval for the joint venture is difficult if not impossible since no meaningful terms and caps can be established for shareholders to vote upon. Therefore, the proposed QPA exemption is justifiable in order not to unnecessarily hinder the directors from managing the business of the issuer. As the Exchange has rightly pointed out, the issuers' businesses should be operated by their management who has the required expertise.



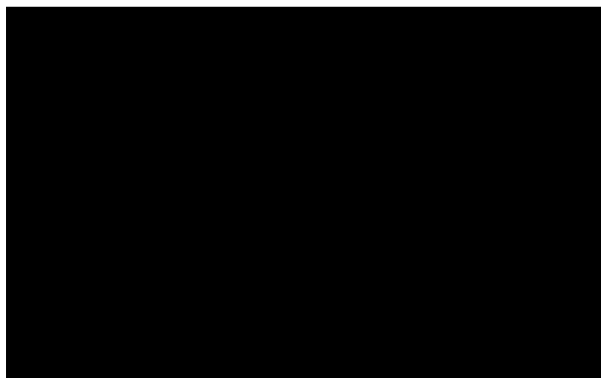
Limiting the joint venture to be QCP in the context of QPA will partly defeat the purpose of the exemption and restrict activities in the issuers' ordinary course of business.

Alternatively, the Exchange may consider raising the threshold for seeking independent shareholders' approval for the formation of joint venture with Non-QPA in the context of QPA from 5% to 25%.

For similar reasons, we consider the proposed exemption shall also apply to all other property acquisitions if the acquisition price is well supported by professional valuation report.

We hope that the above comments can assist the Exchange to refine the Proposal to make it more helpful to the issuers. Meanwhile, if you require any clarification on our comments, please do not hesitate to contact us.

Thank you for your kind attention.



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 concur with the reasons given in the Consultation Paper.

- 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.

We agree that the current definition of "PRC Governmental Board" in Rule 19A.04 is sufficiently broad for the purpose.

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.

If the government auctions of any jurisdictions are structured and established and the process is widely accepted and carried out in a fair, orderly and transparent fashion, demonstrating high integrity, they should be qualified for QPA exemption.

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.

It will enable the Exchange as the gatekeeper for shareholders who are not familiar with the bidding process in other jurisdictions.

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



Yes



No

Please provide reasons.

The factors are comprehensive and all rounded. It is suggested that legal opinion and professional advice shall be provided to support waiver application.

(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 concur with the reasons given in the Consultation Paper.

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.

We concur with the reasons given in the Consultation Paper.

(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 concur with the reasons given in the Consultation Paper.

(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 consider companies should be allowed to first put out a preliminary announcement regarding the formation of the joint ventures for Qualified Property Acquisitions confirming the fulfilment of the conditions as set out in Rule 14.33A(2) before a formal announcement with full details is issued subsequently.

(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 consider that the auctioned price is a true reflection of the market price for acquisitions falling under the QPA exemption. It is therefore meaningless and redundant to require a property valuation report shortly after the successful bid.

(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.

We concur with the reasons given in the Consultation Paper.

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.

Submission attached

- End -