

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 paragraphs 18 to 25 of 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.

The scope of the definition of “PRC governmental Body” under R 19A.04 is acceptable.

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.

We concur with the factors stated in paragraphs 23 and 27 of the Consultation Paper and would like to suggest extending the QPA exemption to the other jurisdictions rather than considering the grant of waiver on an individual case meeting the criteria.

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.

Same as the reply stated in question 2.

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

Yes

No

Please provide reasons.

Same as the reply stated in question 2.

(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.

In reality, a joint venture's financing and profit distribution arrangements may not be on a pro-rata basis to the joint venture partners' interests in the joint venture, but vary according to each joint venture partner's expertise and contribution to the joint venture.

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 paragraphs 31 and 32 of 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 paragraphs 38 and 39 of 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.

This will keep investors well informed at an early stage.

(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.

The price in the bidding process reflects the market value of the property.

(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.

Please see the comments as contained in Rider A attached hereto.

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 paragraphs 56 and 57 of the Consultation Paper, but with the view that the exemption should be extended to “capital joint venture projects” as described in Rider A.

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.

Similar exemption should be considered for “joint venture in respect of property for leasing on the basis of the reasons as set out in Rider A attached hereto.

- End -

Rider A

In practice and in reality, both revenue nature transactions and capital nature transactions are conducted in the ordinary and usual course of business of most property developers. Rental income forms a substantial and major part of a property developer's revenue. Therefore, exceptions to revenue nature transaction should equally apply to capital nature transactions as long as they are in the ordinary course of business of the issuer concerned. The justifications are as follows:

- i) The leasing activities of the property projects are carried out in the ordinary and usual course of business of the developers forming a substantial part of the revenue from the business operations as one of the principal activities.
- ii) Developers usually retain the retailing part of most property projects for leasing purpose after the completion of construction so as to have a stable source of operating incomes.
- iii) Acquisitions of land by private treaty and government or government-controlled entities through public auctions or tenders in the PRC are usually large-scale property developments with a mixed residential and commercial development mode containing certain parts thereof to be held for leasing purpose.
- iv) Certain large-scale property projects after the relevant land acquisitions involving a prolong planning process, may not be instantly ascertained as to whether the developments are of revenue nature or capital nature under R14.04(1) of the Listing Rules.