HKEx LISTING DECISION
Cite as HKEx-LD28-2 (August 2001) (Withdrawn in January 2024)

[This listing decision is withdrawn.]

Summary	
Name of Party	Company A - a listed company
Subject	No land use rights - whether revaluation surplus could be included in major transaction circular
Listing Rule	General principles
Decision	Revaluation surplus should not be included

Summary of facts

Company A had entered into a major transaction involving the acquisition of the entire issued share capital of a company whose principal asset comprised a piece of land situated on the mainland of the PRC. However, no land use right certificate or building ownership certificate had yet been issued in respect of the land as the premium for the land use rights had not been fully paid up.

The question arose as to whether Company A could include the revaluation surplus arising from that property among the financial information to be set out in the circular to shareholders to be issued in connection with the major transaction.

Analysis

The Exchange generally regards the obtaining of land use rights as essential to any claim to ownership of land situated on the PRC mainland.

In the context of new listing applications, the Exchange's position is set out in the Exchange’s announcement dated 25 March 1998 entitled "Clarification on Requirements for Land Use Title of Properties situated in the Mainland of the People's Republic of China". In that announcement, the Exchange, among other things, made clear that, in respect of mainland PRC properties where long-term land use right certificates and/or building ownership certificates are not obtained by the listing applicant, any property revaluation surplus arising from those mainland properties must be excluded from both the financial statements and the net tangible asset statement in the listing document.

The same principle should apply where financial information is to be given by a listed issuer in a circular to shareholders.

Decision

In the circular to shareholders to be issued in connection with the major transaction, Company A should not include the revaluation surplus arising from that property in the pro forma statement of net tangible assets of the enlarged group. Further, Company A should not incorporate the revaluation surplus into the financial statements of the enlarged group.