

## **The Legislative Council meeting on 28 April 2010**

### **Motion on “Strengthening the regulation of the sale of residential properties”**

#### **Progress Report**

At the Legislative Council meeting on 28 April 2010, the motion on “Strengthening the Regulation of the Sale of Residential Properties” moved by the Hon James TO Kun-sun and amended by the Hon WONG Kwok-hing was carried. The wording of the motion carried is at Annex.

2. This report sets out the Administration’s position and the follow-up action taken in respect of the aforementioned motion.

3. The Government is committed to enhancing the transparency of information available to consumers in respect of the sale of first-hand private residential properties and upholding the fairness of transactions.

4. In the past two years, the Transport and Housing Bureau (THB) has implemented, through the Lands Department’s Consent Scheme and/or the guidelines of the Real Estate Developers Association of Hong Kong (REDA), a number of measures to enhance the transparency and clarity of the property information on uncompleted first-hand private residential properties. These include (a) requiring developers to provide in their websites and sales offices information on the Agreements for Sale and Purchase (ASPs) within 5 working days after the signing of the respective Preliminary ASPs; (b) standardizing the definition of “saleable area”; (c) standardizing the presentation of price lists; (d) requiring developers to show the information on the price per square foot/metre in “saleable area” of individual flats in their price lists; and (e) requiring developers to provide more comprehensive and detailed property information in sales brochure.

5. To further enhance the transparency of information and fairness of transactions related to the purchase of first-hand private residential properties, THB has also put in place nine new enhancement measures. These include strengthening the regulation on show flats

which require that at least one of the show flats must be an unmodified show flats in an “as sold” condition, requiring that developers must make public in hard copies and in designated websites sales brochures seven days prior to the commencement of sale and price lists at least three days prior to the commencement of sale of those units, requiring that the first price list must include more flats<sup>1</sup>, and requiring that developers state transactions involving Board members of the developers and their immediate family members when making public transaction information within five working days.

6. The Lands Department has included the nine new measures and most of the requirements as set out in REDA’s guidelines into the pre-sale consent approved with effect from 14 May 2010. REDA has issued guidelines on the new measures for the sale of uncompleted first-hand private residential properties to take effect from 1 June 2010. They continue to work out the implementation details for completed first-hand private residential properties. The Government is committed to implement the nine new measures on the sale of completed first-hand private residential properties, to increase transparency and ensure the fairness of transactions involving such flats. THB will follow up closely with REDA with a view to ensuring that REDA’s guidelines for implementing the new measures on completed first-hand private residential properties will be issued as soon as possible.

7. THB will closely monitor the effectiveness of the new measures. Should these measures prove to be ineffective, the Administration does not rule out the possibility of introducing legislative measures.

## **Transport and Housing Bureau July 2010**

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<sup>1</sup> For small-scale development (i.e. a development, or a phase of a development project, with less than 100 units in total), the minimum number of units to be included in the first price list will be 30 units or 30% of the total number of units put up for sale in each batch, whichever is the higher. For large-scale development (i.e. a development, or a phase of a development project, with 100 units or more in total), the minimum number of units to be included in the first price list will be 50 units or 50% of the total number of units put up for sale in each batch, whichever is the higher.

**Motion on  
“Strengthening the regulation of the sale of residential properties”  
moved by Hon James TO Kun-sun  
at the Legislative Council meeting  
of Wednesday, 28 April 2010**

**Motion as amended by Hon WONG Kwok-hing**

That, as the sale of first-hand residential properties in Hong Kong has all along relied on advertising and publicity, sales brochures, visits to show flats, real estate agents and newspapers to provide information about properties and the property market to the public, and while the Government, The Real Estate Developers Association of Hong Kong (‘REDA’), the Estate Agents Authority (‘EAA’) and the Consumer Council have repeatedly laid down guidelines, launched publicity and issued reminders, cases of advertisements with ambiguous content, sales brochures without clear and detailed information, discrepancies between show flats and actual flats for sale, confusing market information, etc. still continue to occur; this Council urges the Government to adopt the following measures and put forward an implementation timetable to enhance the transparency and fairness in property sales and protect the interests of home buyers:

- (a) on the basis of the Sales Descriptions of Uncompleted Residential Properties Bill which was published as a White Bill in 2000, to introduce legislation to regulate the sale of uncompleted residential properties;
- (b) to revise the ‘Consent Scheme’ by incorporating into its conditions all the relevant guidelines drawn up by REDA, and prescribing more detailed requirements to require compliance by developers, including strengthening the restrictions on the content of promotional materials and sales brochures as well as tightening the requirements on show flats, and requiring developers to provide on their web pages and in their sales offices more detailed property sales information, including the

full version of the sales brochure, the content of land leases and deeds of mutual covenant, every price list, records of sale and purchase agreements and completion of transactions, information on connected party transactions, information on related transactions, and details of internal and private sales, etc., with a view to providing clear and detailed information, and hence avoiding misunderstandings and preventing the public from being easily confused by rumours in the market;

- (c) to provide additional resources to step up inspections, remind real estate developers, estate agencies and estate agency practitioners to comply with the codes and circulars drawn up by EAA, and penalize the non-complying real estate developers, estate agencies and estate agency practitioners in accordance with the law, so as to enhance the credibility of real estate developers and the estate agency trade and safeguard the interests of home buyers; and
- (d) to strengthen the power of the Consumer Council to monitor real estate developers and estate agencies, including considering the introduction of legislation on cross-trade business practices, so as to enable the Consumer Council to exercise the power vested by law to name and criticize the real estate developers and estate agencies engaging in unscrupulous sales practices, and to allow people to make reports for referral to law enforcement departments for prosecution, so that home buyers can obtain adequate consumer information and protection.