

CB(1) 2080/10-11(01)

**Tai Hung Fai Enterprise Company Limited**

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Legislative Council  
Stamp Duty (Amendment) (No.2) Bill 2010  
Bill Committee  
Legislative Council Secretariat  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

18th April 2011

Dear Sirs,

Re: Submissions on Stamp Duty (Amendment) (No.2) Bill 2010 (the "Bill")

We are one of the many local private developers. Our business is to develop quality and affordable residential and commercial units for the people of Hong Kong. Unlike the large developers who can acquire sites through public auctions, our main source of supply of land comes from acquisition of old buildings. Through the redevelopment, we see old residential or commercial districts being rejuvenated into a better place for people to live in and conduct their business.

We fully appreciate that the purpose of the Government to introduce the Special Stamp Duty ("SSD") so as to "curb short-term speculative activities" to "reduce the risk of the development of an asset bubble and ensure the healthy and stable operation of the property market" and that "at the same time home buyers and long-term investors should not be affected". Whilst we fully support the paramount importance of preventing any asset bubbles to be formed, we wish to express our concern that the introduction of SSD may unexpectedly and inadvertently affect the legitimate business of the local private developers like us.

Like many other local developers, our mode of operation is that units of old tenement buildings will be acquired from the individual owners, through the compulsory sale mechanism available under Land (Compulsory Sale for Redevelopment) Ordinance (Cap.545 of the Laws of Hong Kong) if necessary, and to redevelop them into new building with modern facilities. As Honourable Members may appreciate, in the course of such acquisition, it is not uncommon for us to adopt different entities (within the same group) to acquire these units. When the acquisition process is completed, unification of the title to the different units acquired by the different entities is usually required for the purpose of financing or for the purpose of

commencing the construction process or for pre-sale. This unification process will usually be carried out by way of intra-group transfer (i.e. a transfer in respect of which we may enjoy the relief of stamp duty offered by section 45 of the Stamp Duty Ordinance) or by way of a deed of exchange whereby the different owners may exchange with each other their interest in various units in a development.

With the introduction of the SSD, there is therefore a doubt or concern as to whether these transfers of units of old tenements acquired by different entities by way of intra-group transfer or through deed of exchange with a view of unification of title within the same group of companies will be caught by the SSD regime in that these transfers (for the sole purpose of re-organising the properties within the group) will be regarded as an "acquisition" or "disposal" for the purpose of SSD. It is respectfully submitted that the "acquisition" of the units has been completed when the entity acquired it from the individual owners. The transfer, either by way of intra-group transfer or by way of exchange, should not be regarded as an "acquisition" for the purpose of SSD as no interest in the subject matter of the transfer has been passed to any entity outside the group. If such intra-group transfer or exchange is regarded as an "acquisition" under the regime of SSD, then SSD will be imposed on any subsequent disposal of the old units as well as the pre-sale of the units of the new development if such disposal or pre-sale takes place within 24 months from the unification of title and this poses serious adverse consequence on the supply of residential units to the market which is contrary to the Government policy of boosting the supply of new units to the market. In essence, we will have no alternative but to defer the entire sale process for a period of 2 years. It is also respectfully submitted that as the residential old tenement buildings are eventually demolished for redevelopment, the units of the original buildings should in no circumstances be regarded as the subject matter of any speculation activities.

We understand the Real Estate Developers Association of Hong Kong has made their submission (Legco paper CB(1) 991/10-11(01) in relation to the Bill. Their analysis and recommendations, in particular under Paragraphs 4, 5 and 6, have our full support.

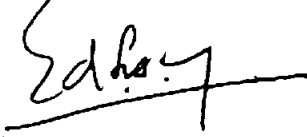
We also understand that the subject matter of this letter is one of the outstanding follow-up actions arising from the discussion at the meeting of the Bills Committee on 24th March 2011. We hope our submissions above will help Honourable Members to understand the impact of SSD on property redevelopment.

In light of the above, we would recommend that:

1. the entering into of a deed of exchange or an intra-group transfer or other means of re-organising the properties previously acquired by different entities within the group in order to facilitate the redevelopment thereof should not be regarded as "acquisition" for the purpose of SSD; and
2. the sale and disposition of new units or the interest of a new development after a redevelopment should not attract any SSD as there is no element of speculation.

We hope Honourable Members would take careful and balanced consideration in the interest of the long term interest of Hong Kong people and her economy in the scrutiny of the Bill. Should Honourable Members be interested to discuss further on the subject, we will be more than happy to do so.

Yours faithfully,  
For and on behalf of  
Tai Hung Fai Enterprise Company Limited



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Managing Director  
Leong Siu Hung Edwin