



**The Stock Exchange of Hong Kong Limited**  
*(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)*

Our Ref: 20111202-046

2 December 2011

The Hon James To Kun-sun  
Chairman of the Subcommittee on Companies Ordinance (Exemption of Companies and  
Prospectuses from Compliance with Provisions) (Amendment) Notice 2011  
Legislative Council Complex  
1, Legislative Council Road  
Central, Hong Kong

Dear Mr. Chairman

**Re: Companies Ordinance (Exemption of Companies and Prospectuses from  
Compliance with Provisions) (Amendment) Notice 2011 relating to proposed changes to  
property valuation requirements (the "Exemption Notice")**

We are writing to convey the Exchange's view on the Subcommittee's consideration of the  
Exemption Notice discussed at the recent Subcommittee meetings.

We consider the proposed Exemption Notice vital to enhance Hong Kong's competitiveness  
as a preferred listing venue for international companies. The approach of granting case-by-  
case waivers is undesirable as a listing applicant will need to incur considerable amount of  
costs and time to put together a well substantiated waiver application and there is no certainty  
that a waiver will be granted. We urge the Subcommittee to view the Exemption Notice  
favourably.

The current property valuation requirements are overly burdensome to listing applicants  
while the information disclosed is irrelevant and not meaningful to investors in certain  
situations. The current requirements are also much stricter than in other major developed  
markets.

The Exemption Notice will remove unnecessary burdens on listing applicants by removing  
valuation requirements for immaterial property interests or property interests that are not  
relevant to a listing applicant's core business. At the same time, the Exemption Notice will  
not prejudice investors' interest as (i) valuations and disclosure will still be required for  
properties relating to property activities (except for immaterial ones); (ii) relevant  
information on material properties will be required to be disclosed under the general  
disclosure obligation of the Companies Ordinance; and (iii) more focused information will be  
disclosed as opposed to a compilation of reports without highlighting the properties'  
importance or issues involved. The Exemption Notice will thus enhance the quality of  
information provided to investors and there is no lowering of standards of investor protection.

香港交易及結算所有限公司  
Hong Kong Exchanges and Clearing Limited

香港中環皇后大道中一號國際金融中心一期12樓  
12/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong  
電話 Tel: +852 2522 1122 傳真 Fax: +852 2295 3106 網址 Website: www.hkex.com.hk 電郵 E-mail: info@hkex.com.hk

1

**The Stock Exchange of Hong Kong Limited**  
*(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)*

The Exchange and the SFC worked closely with industry representatives in formulating the proposals under the Exemption Notice. The proposals were subject to a 10-week public consultation. A total of 52 responses were received from market practitioners, issuers, professional associations and individuals. The Exchange and the SFC carefully considered and analysed the comments of each respondent. Most respondents supported the proposals. We understand that a number of leading law firms (as set out in the Appendix) and investment banks strongly support the proposals and are considering making a submission to the Subcommittee as well.

The Exemption Notice will bring Hong Kong's property valuation requirements closer to the requirements in other major developed markets while ensuring that material information is disclosed to investors. We are concerned that potential listing applicants may be deterred from seeking a listing in Hong Kong without the clear avenue to relief provided by the Exemption Notice. This would prevent the Exchange from attracting listings such as those of Prada and Samsonite, both of which would not have listed in Hong Kong had they had to do property valuations of all their stores.

Yours faithfully  
For and on behalf of

The Stock Exchange of Hong Kong Limited



Mark Dickens JP  
Head of Listing  
Secretary to the Listing Committee

Encl.

cc: Hon WONG Ting-kwong, BBS, JP  
Hon CHIM Pui-chung  
Hon Alan LEONG Kah-kit, SC

**The Stock Exchange of Hong Kong Limited**  
*(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)*

**Appendix**

Law firms

(in alphabetical order)

1. Cleary Gottlieb Steen & Hamilton
2. Davis Polk & Wardwell
3. Deacons
4. Freshfields Bruckhaus Deringer
5. Herbert Smith
6. Jones Day
7. Kirkland & Ellis
8. Morrison & Foerster
9. Norton Rose
10. Simpson Thacher & Bartlett
11. Skadden, Arps, Slate, Meagher & Flom