

## URGENT

Attn: 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

By Fax: +852 2840-0797  
And by Hand Delivery

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

Dated: 6<sup>th</sup> December, 2011

Dear Mr. To,

**Re: ASIFMA Submission: Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) (Amendment) Notice 2011 relating to proposed changes to requirements for property valuations**

The members of the Asia Securities Industry & Financial Markets Association ("ASIFMA")<sup>1</sup> request the opportunity to voice our support and highlight some issues of note relating to the above captioned proposed amendment. We hope you will consider these issues and that you will share them with your esteemed colleagues in the Legislative Council and the Subcommittee that you chair in any discussions on this matter.

We understand that the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) (Amendment) Notice 2011 (the "Class Exemption Notice") implements the proposals in the Joint Consultation Conclusions on Proposed Changes to Property Valuation Requirements (the "Conclusions"), which are intended to streamline requirements for property valuation disclosure in prospectuses and circulars and, generally speaking, reflect the collective views of the majority of the respondents that participated in the consultation. The initial proposals were presented in December 2010 and ASIFMA and our members welcome the implementation of the final conclusions. We understand that the Class Exemption Notice is currently subject to negative vetting by the Legislative Council, and after completion of that process, the Class Exemption Notice as well as the relevant amendments to the Listing Rules (which have been published), will become effective.

<sup>1</sup> The Asia Securities Industry & Financial Markets Association (ASIFMA) is an independent association that promotes the development of liquid, efficient and transparent capital markets in Asia and facilitates their orderly integration into the global financial system. ASIFMA priorities are driven by over 40 member companies involved in Asian capital markets, including global and regional banks, securities dealers, brokers, asset managers, credit rating agencies, law firms, trading and analytic platforms, and clearance and settlement providers. ASIFMA is located in Hong Kong and works closely with global alliance partners: the Global Financial Markets Association (GFMA), the Securities Industry and Financial Markets Association (SIFMA) and the Association for Financial Markets in Europe (AFME). More information about ASIFMA can be found at: [www.asifma.org](http://www.asifma.org).

ASIFMA and our members would like to reiterate our support for the Class Exemption Notice and the Conclusions. The timely implementation of these proposals would be beneficial and necessary for the following reasons:

**(1) Enhancing the competitiveness of the Hong Kong Stock Exchange (HKSE) as an international listing venue**

The Conclusions set out property valuation requirements for listing equity securities in the USA, People's Republic of China (PRC), Australia, United Kingdom and Singapore. In summary:

- (i) for USA, PRC and Australia, property valuations are not required for listing equity securities; and
- (ii) for the UK and Singapore, property valuations are only required for applicants engaged in property investment or development.

ASIFMA and our members believe that the Class Exemption Notice, which applies valuation and disclosure requirements to material property interests only, would enhance the competitiveness of the HKSE as an international listing venue, bringing it into line with the requirements of other major global financial centers. This would also be while maintaining the quality and integrity of the Hong Kong securities market. As the Hong Kong securities market matures and begins to attract more international issuers from a wide range of business sectors, it is important that it avoids having listing requirements that add time and expense to the listing process but provide little marginal benefit to assist regulators in vetting the suitability of the listing candidates or assist investors in making their investment decisions.

**(2) Avoiding unnecessary time and costs and removing undue burdens on listing applicants and issuers**

As the current legislation stands, an applicant seeking a listing in Hong Kong must obtain an independent valuation of all of its property interests (including freehold and leasehold interests) and include the valuation report in its listing document. However, such requirements may be unnecessarily costly, time consuming and unduly burdensome in a variety of situations, particularly where, for example:

- (i) an applicant has multiple property interests, not all of which are material to its business;
- (ii) property development and investment are not the applicant's core business (e.g., the property interests of an applicant engaged in manufacturing will include its factories which are not intended for sale or development);
- (iii) an applicant has property interests in remote areas that are not key to the listing applicant's business or operations; or
- (iv) an applicant has numerous operating leases which have no material value. We understand that a review of the prospectuses of the 64 companies listed on the Main Board of the HKSE in 2009 would show that all properties under operating leases were valued at zero.

ASIFMA and our members also believe that requiring disclosure of only those property interests that are material in listing documents or circulars can help reduce unnecessary wastage of paper on printing information that is of no material value to investors and that this would be consistent with the SFC's and HKSE's long-term commitment to encourage environmentally responsible behaviour. The market's interests will not be prejudiced and will nevertheless continue to be fully protected by the explicit obligation to conduct a property valuation and make appropriate disclosure of that valuation



in the circumstances identified in the class order where it is reasonable to make a presumption that such information will be material, and by the overriding obligation of an issuer to have to address its mind to whether it has included all information which is material in the circumstances.

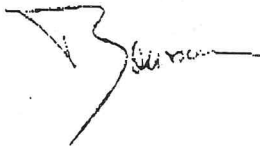
**(3) Improving the presentation of information to investors**

The proposals will not only streamline the process and make it more cost-effective for listing applicants and issuers, but will also ultimately lead to having disclosure in listing documents and circulars presented in a more focused manner. This will ensure that investors receive information presented in a meaningful way. ASIFMA and our members believe that disclosing valuation reports for all property interests broadly may result in key information regarding material property interests being overwhelmed by volumes of immaterial information and such key information may then not be readily apparent to investors or shareholders reading the listing documents or circulars. ASIFMA supports the proposals as they are beneficial to investors as it would improve the presentation and focus of the information provided to them.

The above issues are the basis for ASIFMA's position and we are of the view that the Class Exemption Notice and the general disclosure obligation, taken as a whole, would not only benefit applicants and investors, but also bolster Hong Kong's competitiveness as an international listing venue in the long term. ASIFMA strongly supports its implementation and urge that this be done as soon as practicable.

We would be happy to discuss this further with you. If you should have any queries, please do not hesitate to contact Will Sage at 2537 3895; [wsage@asifma.org](mailto:wsage@asifma.org).

Yours sincerely,



**Nicholas de Boursac**  
**CEO**  
**Asia Securities Industry & Financial Markets Association**