

9 February 2011

BY HAND AND BY FAX

FAX NO.: 2524 0149

Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Attn: Corporate Communications Department

Dear Sirs,

Re: Joint Consultation Paper on Proposed Changes to Property Valuation Requirements

Ernst & Young is pleased to respond in this letter to the request of the Securities and Futures Commission ("SFC") and Hong Kong Exchanges and Clearing Limited ("HKEx") for comments regarding the proposals set out in the captioned Consultation Paper.

We welcome the regulators' continued efforts to respond to market comments and relax the current property valuation requirements. We have focused our response on the proposals which are more relevant to our role as auditors and reporting accountants.

We understand that, in determining whether a valuation is required for property interests of a listing applicant's non-property activities, the regulators propose to set certain thresholds based on the carrying amounts of the property interests and the total assets of the applicant. We note from paragraphs 96 and 97 of the Consultation Paper that it is proposed that "the relevant carrying amount must be reflected in the accountants' report" and "the proposal is to use the total assets as shown in the accountants' report to calculate the 15% threshold so that a direct comparison can be made with the carrying amount of property interests". Whilst the total assets of an applicant can be easily identified from the accountants' report, it may not be the case for the carrying amount of a particular property interest. We do not note any relevant requirements in the proposed detailed wording of the rules to implement the proposals in the Consultation Paper. To clarify, are the regulators proposing that the accountants' report contains a detailed breakdown of the respective carrying amounts of the applicant's relevant property interests? If yes, we consider that such information should be disclosed outside of the accountants' report, as it is information not normally presented in financial statements/financial information and it would be more appropriately disclosed together with the other information relating to the property interests, such as that proposed to be disclosed under paragraph 61 of the Consultation Paper.

Although not reflected in the proposals we wish to draw to the attention of the HKEx that it may consider to take the opportunity to revisit the current disclosure requirements in the existing A16(27)/GEM18.35. These include a requirement that if there are properties for which a valuation is included in the prospectus then in the first annual report after listing, certain information is to be disclosed, including the additional depreciation had such properties been stated at valuation. This

disclosure is likely to be less useful, when, under the proposals, only certain properties may need to have a valuation performed. Accordingly, we would suggest that consideration should be given to revising or withdrawing the disclosure requirements in A16(27)/GEM18.35.

Should you have any questions on the above comments, please do not hesitate to contact our Professional Practice Partners in Hong Kong,

Yours faithfully,

Ernst & Young