

REGULATORY OVERVIEW

REGULATORY OVERVIEW OF THE HONG KONG PROPERTY INDUSTRY

The following is a brief summary of the laws and regulations that currently materially affect our Group in our operations in the property industry in Hong Kong.

(a) The Land System in Hong Kong

The freehold of all land in Hong Kong (except St. John’s Cathedral located in Central, Hong Kong) is owned by the Hong Kong Government. In general, the Hong Kong Government grants land on a leasehold system. Leases granted to private parties are commonly in the form of:

- (i) “government leases” which typically contain certain standard restrictions and carry a nominal annual rent, or
- (ii) “conditions of grant” which usually contain more restrictions and an annual rent linked to rateable value of the land and under which the lessee will, subject to compliance with the conditions, be entitled to a lease of the land.

The lessee of the government lease or conditions of grant is generally referred to as the owner of the leased property in the Hong Kong property market.

There are various covenants in the conditions of grant and in the government leases, including land use and development restrictions. If a lessee wishes to modify the land use restrictions or remove or modify development restrictions in a government lease or conditions of grant, the lessee must make an application to the Director of Lands, and a premium may be required to be paid for this.

(b) Land Auction Process

Government land in Hong Kong is normally disposed of by way of public auction or tender under which the Hong Kong Government sells the land to the highest bidder or tenderer for a premium.

The Hong Kong Government includes sites that it expects will be available for sale in the Land Sale Programme. According to the information made available to the public by the Lands Department of the Hong Kong Government, land sales under the 2014–2015 Land Sale Programme and the 2015–2016 Land Sale Programme (up to March 2016) are conducted through tenders.

(c) Terms of Government Lease

The terms of government leases vary. In the past, government leases had been granted for fixed terms of 75 years, 99 years, 150 years or 999 years with or without right of renewal. At present, leases or conditions of grants are usually granted for a term of 50 years. In the New Territories, under the New Territories Leases (Extension) Ordinance (Chapter 150 of the Laws of Hong Kong), with the exception of short term tenancies and leases for special purposes, the terms of government leases have been automatically extended to 30 June 2047, without payment of any additional premium. However, the lessees are required under the Government Rent (Assessment and Collection) Ordinance (Chapter 515 of the Laws of Hong Kong) to pay to the Hong Kong Government from the date of extension an annual rent of an amount equal to 3% of the rateable value of the land from time to time.

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Since 1 July 1997, the Basic Law of Hong Kong (the “**Basic Law**”) came into effect. Article 8 of the Basic Law provides that all laws previously in force in Hong Kong prior to 1 July 1997 (including the rules of equity, ordinances, subordinate legislation and customary law) shall be maintained, except for any that contravene the Basic Law, and subject to any amendment(s) by the legislature of Hong Kong. It is further provided under Article 120 of the Basic Law that all leases granted, decided upon or renewed before the establishment of the HKSAR which extend beyond 30 June 1997, and all rights in relation to such leases, shall continue to be recognised and protected under the laws of Hong Kong. In respect of leases of land without a right of renewal which expire after the establishment of the HKSAR, Article 123 of the Basic Law provides that such leases shall be dealt with in accordance with the laws and policies formulated by the Hong Kong Government on its own.

(d) Multi-storey Buildings and Deeds of Mutual Covenant

Multi-storey buildings are common in Hong Kong. The Hong Kong Government does not issue a separate government lease for each unit in a multi-storey building. Generally, a document known as a “deed of mutual covenant” notionally divides the building and land granted under the government lease or conditions of grant into a number of equal undivided shares. The land and building are held by the co-owners as tenants in common in the proportions of these undivided shares held by the various owners within the building. The owners of units in a multi-storey building own collectively both the land (by way of leasehold) and the building on it.

Deeds of mutual covenant generally contain co-owners’ agreements as to the manner of regulating their co-ownership of the land and the building and the effective management and maintenance of the land and the building. Some deeds of mutual covenant may also provide for management shares to be allocated to each unit for the purpose of calculating a co-owner’s contribution to management expenses. Under a deed of mutual covenant, each co-owner is allocated a number of undivided shares in the building and land together with the right to the exclusive use, enjoyment and occupation of the co-owner’s unit(s) to the exclusion of other co-owners. The deed of mutual covenant also gives each co-owner certain rights and obligations in relation to the use, maintenance and repair of the common parts and facilities of the building(s), to which each co-owner is bound to contribute a proportionate share of the associated costs and expenses in accordance with the undivided shares or management shares allocated to the co-owner’s unit(s). A deed of mutual covenant also generally requires a co-owner to pay management fee deposits and to make contributions to the management funds before taking possession of a unit.

A vendor of a new building is required to submit the draft deed of mutual covenant to the Legal Advisory and Conveyancing Office (the “**LACO**”) of the Lands Department for approval if the government grant contains a condition restricting the vendor from assigning, charging or disposing of any interest in the land subject to, among other things, the vendor first obtaining the approval in writing of the Director of Lands to the deed of mutual covenant. For the purpose of providing a system of building management in private developments involving the vendors and purchasers as co-owners and property managers, the LACO has produced a set of guidelines (the “**LACO DMC Guidelines**”) for the approval of deed of mutual covenants on behalf of the Director of Lands where required under conditions of the government grant.

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In the absence of the condition requiring deeds of mutual covenants to be approved by the Director of Lands in the government grant, the solicitor acting for the vendor in the drafting of such deeds of mutual covenants must adhere to the guidelines for drafting deeds of mutual covenants issued by the Law Society of Hong Kong (the “**Law Society’s DMC Guidelines**”). A solicitor who wishes to deviate from the Law Society’s DMC Guidelines must apply to the Law Society for waivers in the prescribed application form with payment of the prescribed fee.

(e) **Consent Scheme and the Non-Consent Scheme**

The sale and purchase of units in an uncompleted development is governed either by the Consent Scheme or the Non-Consent Scheme.

Consent Scheme

The Lands Department Consent Scheme, as introduced in 1961, is administered by the LACO on behalf of the Director of Lands.

Where the land on which a development is being erected is:

- (i) subject to a restriction on alienation prior to compliance with all the conditions in the land grant governing the land; or
- (ii) subject to an exclusion order issued by the Lands Tribunal under the Landlord and Tenant (Consolidation) Ordinance (Chapter 7 of the Laws of Hong Kong),

if a registered land owner wants to sell any units in the development before it is completed, the sale is governed by the Lands Department Consent Scheme. The registered land owner must apply through its solicitors to the LACO for the consent of the Director of Lands to enter into agreements for sale and purchase of the units.

Before the issue of the consent to enter into agreements for sale and purchase, a number of criteria must be fulfilled. The consent is given at the sole discretion of the Director of Lands and, if given, is subject to various conditions that may be imposed by the Director of Lands which typically include the condition that the form of the agreements for sale and purchase cannot be varied without the written consent of the Director of Lands.

The LACO has issued circular memoranda setting out the criteria to be fulfilled, rules and other information applicable to the Lands Department Consent Scheme in relation to the sale of units in an uncompleted development, uncompleted phase, completed development pending compliance (i.e. no certificate of compliance or consent to assign has been issued by the Director of Lands), or completed phase pending compliance which are governed by the Lands Department Consent Scheme.

Non-Consent Scheme

The Non-Consent Scheme was introduced in 1980 and is regulated by the Law Society of Hong Kong.

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Where a new development does not fall under the Lands Department Consent Scheme, purchasers are protected by the Non-Consent Scheme. For example, the Non-Consent Scheme would apply if the new building is erected on a piece of land held under an existing Government lease which has been acquired by the developer by way of acquiring all units in an old multi-storey building erected on the land.

If the same solicitor is to represent both the developer and the purchasers in the conveyancing transaction, the Non-Consent Scheme imposes professional obligations to be complied by solicitors. In such cases, the requirements include the use of a prescribed form of agreement for sale and purchase which is similar to the form required for the Consent Scheme. The solicitor would also have to undertake to ensure that the purchasers are protected in a way similar to that offered by the Consent Scheme. Failure to comply with the Non-Consent Scheme would result in professional misconduct on the part of the solicitor and liability to the purchasers for compensation.

(f) Compulsory Acquisition of Land

As many old multi-storey buildings in Hong Kong are held under co-ownership as referred to in paragraph (d) above, in order to redevelop an old multi-storey building, a developer needs to acquire all units in the building from each individual co-owner. Prior to 1999, in the event where one minority co-owner of a building refused to sell his unit to the majority owner and developer, the redevelopment of the building could not proceed. To address this situation, the Land (Compulsory Sale for Redevelopment) Ordinance (Chapter 545 of the Laws of Hong Kong) was enacted in 1998 and came into operation in 1999, whereby a person who owns (or persons who together own, other than as mortgages) not less than 90% of the undivided shares in a lot may make an application to the Lands Tribunal for an order for the sale of the whole building for the purpose of redevelopment. The Land (Compulsory Sale for Redevelopment) Ordinance applies to all types of properties and is not limited to residential properties. If an applicant can prove to the satisfaction of the Lands Tribunal that certain specified requirements have been met, the Lands Tribunal may order the whole lot, including all the units owned by the minority owners, to be sold by way of public auction. Under the Land (Compulsory Sale for Redevelopment) Ordinance, an applicant may apply to the Lands Tribunal for an order for compulsory sale for the whole lot if, among other things, the following conditions are satisfied:

- (i) the owner has already acquired not less than 90% of the undivided shares in the lot;
- (ii) redevelopment is justified due to the age or state of repair of the building; and
- (iii) the majority owner has taken reasonable steps to acquire all the undivided shares in the lot (including negotiating for the purchase of the shares owned by a minority owner on terms that are fair and reasonable).

The Land (Compulsory Sale for Redevelopment) (Specification of Lower Percentage) Notice (Chapter 545A of the Laws of Hong Kong), which came into force on 1 April 2010, has lowered the compulsory sale application threshold to 80% to the following three classes of lots:

- (i) a lot with each of the units on the lot representing more than 10% of all the undivided shares in the lot. In such a case, the building must have less than ten units;

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- (ii) a lot where the building is more than 50 years old; or
- (iii) a lot where the building is an industrial building which is more than 30 years old and lies within a non-industrial zone under a draft or approved Outline Zoning Plan prepared under the Town Planning Ordinance (Chapter 131 of the Laws of Hong Kong).

An applicant applying for a compulsory sale order under the above three categories must also satisfy the Lands Tribunal that (a) the redevelopment of the lot is justified due to the age or state of repair of the existing building; and (b) the majority owner has taken reasonable steps to acquire all the undivided shares in the lot.

(g) Town Planning Board and Outline Zoning Plans

The Town Planning Board is a statutory body established under the provisions of the Town Planning Ordinance. One type of statutory plan prepared and published by the Town Planning Board is known as the “outline zoning plan”, which shows the land use zones, development parameters and major road systems of an individual planning area. Areas covered by outline zoning plans are generally zoned for specified uses such as residential, commercial, industrial, green belt, open space, government/institution/community uses or other specified purposes. Each outline zoning plan includes as an attachment a “schedule of notes” setting out the uses which are always permitted in a particular zone, and other uses for which prior permission must be sought from the Town Planning Board.

Under section 25 of the Urban Renewal Authority Ordinance (Chapter 563 of the Laws of Hong Kong), the Urban Renewal Authority (the “URA”) may submit any plan prepared under subsection (3)(a) of that section to the Town Planning Board for consideration. A plan which the Town Planning Board deems suitable for publication under the Urban Renewal Authority Ordinance is deemed to be a draft plan prepared by the Town Planning Board for the purposes of the Town Planning Ordinance and the provisions of the Town Planning Ordinance shall apply accordingly.

(h) The Buildings Department and the Building Authority

The Buildings Department provides, among other things, services to owners and occupants of both existing and new premises in the private sector through the enforcement of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) and related legislation. Such services include:

- reducing dangers and nuisances caused by unauthorised building works and advertisement signboards;
- promoting proper repairs and maintenance of old buildings, drainage and slopes;
- considering and approving alteration and addition works;
- processing submissions under the simplified requirements and the household minor works validation scheme of the minor works control system;
- improving fire safety measures in buildings and providing advice on the suitability of premises for the issue of licences for specified commercial uses;

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- scrutinising and approving building plans, carrying out audit checks on construction works and site safety and issuing occupation permits upon completion of new buildings.

Any alterations to the premises, including building as well as demolition of structures, which have been carried out without the requisite permits and consents under the authority of the Buildings Department may be subject to warning notices, and subsequently building orders issued by the Building Authority.

The enforcement policy of the Buildings Department

The Buildings Department issued a revised enforcement policy on the prioritisation of enforcement work of the Buildings Department against unauthorised building works, which came into effect from 1 April 2011. The policy stated, among other things, that in respect of unauthorised structures on rooftops, flat roofs as well as those in yards and lanes of buildings, irrespective of their level of risk to public safety or whether they are newly constructed, the Buildings Department will no longer issue warning notices, and will issue building orders instead.

Under section 40 (1BA) of the Buildings Ordinance, any person who, without reasonable excuse, fails to comply with building orders issued under section 24(1) of the Buildings Ordinance is liable on conviction to a fine of HK\$200,000 and to imprisonment for one year, as well as a further fine of HK\$20,000 for each day during which failure to comply with the said order has continued.

Under section 40 (1B) of the Buildings Ordinance, any person who, without reasonable excuse, fails to comply with building orders issued under sections 26(1) or 28(3) of the Buildings Ordinance is liable on conviction to a fine of HK\$50,000 and to imprisonment for one year, as well as a further fine of HK\$5,000 for each day during which failure to comply with the said order has continued. Any prosecution under the Buildings Ordinance may be commenced within 12 months of non-compliance with the relevant building order or within 12 months of such non-compliance being discovered by or coming into notice of the Building Authority. In addition, if an order to remove unauthorised building works is not complied with, the Building Authority may direct the work to be carried out by a government contractor and bill the owner of the property as at the date of completion of the work for all costs incurred, plus a supervision charge.

Mandatory Building Inspection Scheme and Mandatory Window Inspection Scheme

The Mandatory Building Inspection Scheme and the Mandatory Window Inspection Scheme were both implemented in June 2012 with the enactment of relevant amendments to the Buildings Ordinance through the Buildings (Amendment) Ordinance 2011 in June 2011 and the subsidiary legislation including the Building (Inspection and Repair) Regulation (Chapter 123P of the Laws of Hong Kong) in December 2011. The legislation empowers the Building Authority to issue statutory notices to owners as necessary and persons served with any such notices are legally required to carry out prescribed inspections and repairs of their buildings and windows. Failure to comply with such notices may attract penalties. The Buildings Department may also arrange for the required inspection and repair works to be carried out by its consultant and contractor, and then recover the cost of inspection and repair works as well as the supervision charge from the co-owners/owners' incorporation of a building, together with a surcharge of not exceeding 20% of the cost.

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(i) Occupation Permit

An occupation permit is a document issued by the Buildings Department under the provisions of the Buildings Ordinance without which a new building may not be occupied. An occupation permit stipulates the permitted use of each part of the new building as at the time of issue, and may be issued in respect of the whole or part of a new building. If any material change is intended to be made to the use of any premises which would contravene the permitted use specified in the occupation permit, one month’s notice must be given to the Building Authority (“BA”) of the intended change and the BA may prohibit such change of use where, in its opinion, the building is not suitable by reason of its construction for the intended use. The occupation permit is important to a purchaser of a unit in a building as it confirms that the statutory requirements of the Buildings Ordinance have been complied with, and will also show the permitted use of the building. In the normal course of conveyancing practice, the occupation permit must be produced by a vendor to prove title in a property transaction.

(j) Government Rates in Hong Kong

Government rates in Hong Kong is a form of indirect tax levied on properties by the Hong Kong Government. The revenue collected from government rates forms part of the Hong Kong Government’s general revenue. Government rates are charged at a percentage of the rateable value of a property. Rateable value is an estimated annual rental value of a property at a designated valuation reference date, assuming that the property was then vacant and to let from year to year, on the basis that the tenant undertakes to pay all usual tenant’s rates and taxes, whilst the landlord undertakes to pay the Hong Kong Government rent, the costs of repairs and insurance and any other expenses necessary to maintain the tenement to a state to command that rent.

Rateable values are subject to annual review by the Rating and Valuation Department of the Hong Kong Government in order to reflect more precisely changes in market rental values of properties. In general, properties in all parts of Hong Kong are liable to be assessed to rates under the Rating Ordinance (Chapter 116 of the Laws of Hong Kong). Both the owner and the occupier are liable for rates. In practice, payment of government rates is dependent upon the terms of the agreement between the owner and occupier of the premises. In the absence of any agreement to the contrary, liability for rates rests with the occupier.

For the current financial year of 2015–2016, the percentage charge for government rates is 5%. The designated valuation reference date for 2015–2016 revaluation is 1 October 2014 and the rateable values take effect from 1 April 2015.

(k) Stamp Duty in Hong Kong

The Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) imposes duty, payable within a specified time frame, on certain types of transaction documents which include the following:

- (i) Conveyance on sale;
- (ii) Agreement for sale of property;
- (iii) Lease of immovable property.

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The parties and all other persons executing the above types of transaction documents are liable for stamp duty.

If a chargeable document is not duly stamped, any person who uses such document is also liable for the stamp duty and any penalty. Non-payment of penalties under the Stamp Duty Ordinance will attract civil liability, and any chargeable instrument which is not duly stamped will generally not be admissible in evidence in any proceedings except criminal proceedings and civil proceedings by the Collector of Stamp Revenue to recover stamp duty or any penalty payable under the Stamp Duty Ordinance, or be available for any other purpose.

The time limit for stamping is two to 30 days depending on the type of the instrument. A penalty of up to ten times the amount of stamp duty may be payable for late stamping. However, under some circumstances, the penalty may be remitted upon written request.

Special Stamp Duty (“SSD”)

The Stamp Duty (Amendment) Ordinance 2014 (the “**1st Amendment Ordinance**”) was published in the gazette on 28 February 2014 and is deemed to have come into operation on 27 October 2012. The 1st Amendment Ordinance aims to amend the Stamp Duty Ordinance to impose a higher rate of SSD and extend the property holding period on certain transactions of residential property acquired on or after 27 October 2012 if those transactions occur within 36 months after the acquisition.

According to the 1st Amendment Ordinance, unless the transaction is exempted from SSD or SSD is not applicable, SSD shall be charged on the purchaser and/or the sub-purchaser on transactions in resale of residential properties if the properties are acquired and resold within 36 months after acquisition.

The adjusted SSD has three different rates for different holding periods for residential properties acquired on or after 27 October 2012:

- (i) 20% if the property has been held for 6 months or less;
- (ii) 15% if the property has been held for more than 6 months but for 12 months or less;
and
- (iii) 10% if the property has been held for more than 12 months but for 36 months or less.

Buyer Stamp Duty (“BSD”)

The 1st Amendment Ordinance also imposes BSD on certain agreements for sale and conveyances on sale of residential properties executed on or after 27 October 2012. BSD will be charged at a flat rate of 15% (on top of the ad valorem stamp duty and SSD) on all residential properties acquired by any person or company (regardless of where it is incorporated), except a Hong Kong Permanent Resident (“**HKPR**”) unless otherwise specifically exempted or excepted under the 1st Amendment Ordinance.

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Ad valorem stamp duty

The Stamp Duty (Amendment) (No. 2) Ordinance 2014 (the “**2nd Amendment Ordinance**”) was published in the gazette on 25 July 2014 and is deemed to have come into operation on 23 February 2013. The 2nd Amendment Ordinance aims to further amend the Stamp Duty Ordinance to adjust the ad valorem stamp duty (the “**AVD**”) rates and to advance the charging of AVD on non-residential property transactions from the conveyance on sale to the agreement for sale.

The main details of the 2nd Amendment Ordinance are as follows:

- (i) Any agreement for sale for the acquisition of any residential property or non-residential property acquired on or after 23 February 2013, either by an individual or a company, will be subject to the new rates of AVD unless specifically exempted or excepted under the 2nd Amendment Ordinance.
- (ii) The new standard AVD rates are set out in the table below:

Consideration or value of the property (whichever is the higher)	New AVD rates
Up to HK\$2,000,000	1.50%
Exceeding HK\$2,000,000 but not more than HK\$2,176,470	HK\$30,000 + 20% of the excess over HK\$2,000,000
Exceeding HK\$2,176,470 but not more than HK\$3,000,000	3.00%
Exceeding HK\$3,000,000 but not more than HK\$3,290,330	HK\$90,000 + 20% of the excess over HK\$3,000,000
Exceeding HK\$3,290,330 but not more than HK\$4,000,000	4.50%
Exceeding HK\$4,000,000 but not more than HK\$4,428,580	HK\$180,000 + 20% of the excess over HK\$4,000,000
Exceeding HK\$4,428,580 but not more than HK\$6,000,000	6.00%
Exceeding HK\$6,000,000 but not more than HK\$6,720,000	HK\$360,000 + 20% of the excess over HK\$6,000,000
Exceeding HK\$6,720,000 but not more than HK\$20,000,000	7.50%
Exceeding HK\$20,000,000 but not more than HK\$21,739,130	HK\$1,500,000 + 20% of the excess over HK\$20,000,000
In any other case	8.50%

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The new standard AVD rates set out above are not applicable and the original standard AVD rates may apply in certain circumstances including, for example, those involving acquisition of residential property by HKPR(s) who is/are acting on his/their own behalf and does not/do not own any other residential property in Hong Kong at the time of acquisition or by a HKPR jointly with close relative(s) (i.e. spouse, parents, children, brothers and sisters) who is/are not HKPR and each of them is acting on his own behalf and does not own any other residential property in Hong Kong at the time of acquisition.

For completeness, the below table sets out the original standard AVD rates:

Consideration or value of the property (whichever is the higher)	Original AVD rates
Up to HK\$2,000,000	HK\$100
Exceeding HK\$2,000,000 but not more than HK\$2,351,760	HK\$100 + 10% of the excess over HK\$2,000,000
Exceeding HK\$2,351,760 but not more than HK\$3,000,000	1.50%
Exceeding HK\$3,000,000 but not more than HK\$3,290,320	HK\$45,000 + 10% of the excess over HK\$3,000,000
Exceeding HK\$3,290,320 but not more than HK\$4,000,000	2.25%
Exceeding HK\$4,000,000 but not more than HK\$4,428,570	HK\$90,000 + 10% of the excess over HK\$4,000,000
Exceeding HK\$4,428,570 but not more than HK\$6,000,000	3.00%
Exceeding HK\$6,000,000 but not more than HK\$6,720,000	HK\$180,000 + 10% of the excess over HK\$6,000,000
Exceeding HK\$6,720,000 but not more than HK\$20,000,000	3.75%
Exceeding HK\$20,000,000 but not more than HK\$21,739,120	HK\$750,000 + 10% of the excess over HK\$20,000,000
In any other case	4.25%

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(I) The Residential Properties (First-hand Sales) Ordinance

The Residential Properties (First-hand Sales) Ordinance (Chapter 621 of the Laws of Hong Kong) (the “**RPFSO**”) came into effect in April 2013. Generally speaking, RPFSO regulates the sales of uncompleted and completed first-hand residential properties, regardless of whether they are under the Lands Department’s Consent Scheme or not.

The RPFSO sets out the requirements for vendors of first-hand residential properties to comply with in relation to sales brochures, price lists, show flats, disclosure of transaction information, advertisements, sales arrangements, and the mandatory provisions for the Preliminary Agreement for Sale and Purchase and Agreement for Sale and Purchase for the sales of first-hand residential properties. It also provides for prohibitions against misrepresentation and the dissemination of false or misleading information.

Saleable Area

Under the RPFSO, saleable area will be the only basis that can be used to quote property size and property price per square foot/per square metre in the sales brochures, price lists and advertisements of first-hand residential properties.

“Saleable area”, as defined in the RPFSO, means the floor area of the residential property including the floor area of a balcony, a utility platform and a verandah, but excluding the area of an air-conditioning plant room, a bay window, a cockloft, a flat roof, a garden, a parking space, a roof, a stairhood, a terrace and a yard.

Sales Brochures

Vendors must prepare and make available the sales brochure for collection by the public free of charge during a period of at least seven days immediately before the commencement of sale and on every day of sale. In addition, vendors should make available the sales brochure on its own designated website for inspection by the public during the same period of time.

The sales brochure made available to the public should be updated once every three months.

The sales brochure should set out information on any matter that is likely to materially affect the enjoyment of the residential property or the development. The sales brochure must not set out information other than required or authorised by the RPFSO, e.g. pictures or images of an artist’s impression.

Price Lists

Vendors must prepare and make available the price list for collection by the public free of charge during a period of at least three days immediately before the commencement of sale and on every day of sale. In addition, vendors should make available the price list on its own designated website for inspection by the public during the same period of time.

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Each price list should set out the prices of the minimum number of residential properties as required by the RPFSA in the format prescribed by the Sales of First-hand Residential Properties Authority.

If a vendor has already set out the price of a residential property in a price list and subsequently wishes to make changes to the price of that property, he has to make changes on that relevant price list. Further, the residential property concerned should not be sold earlier than three days after the issue of the revised price list.

Reservation of specific residential property is prohibited before the first date of sale of that particular residential property.

Show Flats for Uncompleted Developments

Vendors are not required to provide show flats. If show flats are provided, however, the show flats should be constructed according to the requirements in the Ordinance.

For any "modified show flat" for a residential property to be provided for viewing by the general public, there must first be an "unmodified show flat" for the same property.

For unmodified show flats, the vendor should not restrict the viewers from taking measurements, photographs and videos of the show flats. For modified show flats, the vendor should not restrict the viewers from taking measurements of the show flats.

Sales brochures must have been made available to the public by the vendors when the show flats are made available for viewing.

Viewing of Property in Completed Developments

Vendors should, before the signing of the preliminary agreement for sale and purchase, arrange the prospective purchaser to view the particular property that he/she wishes to purchase. If it is not reasonably practicable to arrange viewing of that particular property, the vendor should arrange the prospective purchaser to view a comparable property.

Sales Arrangements

Vendors should make available for collection, and on its own designated website for inspection, by the public for a period of at least three days immediately before the commencement of sale the following information on sales arrangements -

- (i) the date, time and the place for the commencement of sales of the residential properties;
- (ii) which residential properties will be offered to be sold on that date; and
- (iii) the method to be used to determine the order of priority among prospective purchasers for the selection of residential properties.

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Preliminary Agreements and Agreements for Sale and Purchase

If a purchaser decides not to proceed to the signing of the Agreement for Sale and Purchase (the “SPA”) within 5 working days after the signing of the Preliminary Agreement for Sale and Purchase (the “PASP”):

- (i) the PASP is terminated;
- (ii) the preliminary deposit, which amounts to 5% of the purchase price, will be forfeited; and
- (iii) the vendor does not have any further claim against the purchaser.

Registers of Transactions

On each day of sale, the vendor must keep a register of transactions of the development or a phase of the development at the sales office and on the vendor’s own designated website.

The register of transactions should include key transaction information of the development or a phase of the development such as the dates on which the agreements (including the PASP and the SPA) were signed, the transacted prices, and the dates on which the agreements were terminated (if applicable), the terms of payment and whether a transaction involves a related party to the vendor.

The vendor should disclose in the register of transactions information on a PASP within 24 hours after the PASP is signed, and disclose information on a SPA within 1 working day after the SPA is signed.

Advertisements

If an advertisement is published by the vendor or by another person with the consent of the vendor, the advertisement must state that fact. Advertisements must not contain false or misleading information.

Printed advertisements showing artist’s impressions of the development or its surrounding area must carry a statement reminding prospective purchasers to make reference to the sales brochures and to conduct on-site visits.

Misrepresentation and Dissemination of False or Misleading Information

A person who makes a fraudulent misrepresentation or a reckless misrepresentation for the purpose of inducing another person to purchase first-hand residential properties commits an offence under the RPFOS.

A person who disseminates or authorises information that is likely to induce another person to purchase first-hand residential properties and if he knows that, or is reckless as to whether, the information is false or misleading as to a material fact, commits an offence.

Contravention of the requirements set out in the RPFOS may attract criminal liabilities, the maximum penalty of which is up to a fine of HK\$5 million and imprisonment of seven years.