

18<sup>th</sup> January 2012

Ms Eva Cheng, GBS, JP  
Secretary for Transport and Housing  
22/F, East Wing, Central Government Offices  
2 Tim Mei Avenue, Tamar  
Hong Kong

Dear Eva,

**Proposed Legislation to Regulate the Sale of First-Hand Residential Properties**

The Chamber is pleased to submit its views on the legislative proposals to regulate the sale of first-hand residential properties as follows:-

***Saleable Area***

We are generally supportive of proposals to adopt saleable area as a standard for quoting flat prices in sales brochures and price lists but feel that a transitional period should be introduced during which vendors of first-hand residential properties should continue to be permitted to disclose GFA-related information in sales brochures. We feel that a grace period allowing the two standards to temporarily run in parallel would be useful in helping the market understand and adapt to the eventual application of saleable area as the sole standard. A sudden and abrupt switch could, on the other hand, give rise to confusion and market disruption, which should be avoided.

Our proposal for a gradual phasing in of the new standard is consistent with recommendations by the Steering Committee on the Regulation of the Sale of First-hand Residential Properties by Legislation, which similarly favours a “*transitional period, in order for the public to familiarize themselves with saleable area only for price quotations.*” The public should be consulted as to the length of such transitional period but in any event it should not be less than 24 months from the date on which the new legislation takes effect.

We would suggest however that GFA-related information be retained for other promotional materials (such as advertising campaigns as outlined in the following point) even after the expiration of the transition period. This is because GFA-related information will enhance transparency in the sale of first-hand residential properties by providing *more* details and information to potential purchasers with respect to the *basis* of calculating the purchase price. This will no doubt enable informed decisions to be made by potential purchasers. Accordingly, so long as the GFA-related information are accurate, correct and objectively verifiable (e.g. the basis of calculation and apportionment of the GFA to each particular flat can be supported by some objective criteria, say, certificate issued by an authorised person), then the disclosure of GFA-related information should be retained.

### ***Advertisements***

We propose that the practice of providing information on GFA in advertisements should be allowed to continue alongside with that on saleable area, provided that such information on GFA is clearly defined and not misleading. For the reasons given above, confining the information to the saleable area standard only is, in our view, unnecessary and could have the adverse effect of negating the fundamental purpose of advertisements, which is to promote and facilitate the flow of information.

We believe that until saleable area and its relationship to GFA is better understood the removal of GFA information could affect purchasers' ability to make informed decisions, especially when they compare prices in the secondary market.

We would also like to have clearer guidelines for practitioners in the advertising industry to follow, in particular, further clarification on what constitutes legally unacceptable behaviour insofar as the advertising of primary sales is concerned. As the sales brochure will serve as a key source of information for buyers under the new arrangements as set out in the consultation document, we feel that the proposed requirement on the vendor to "*remind prospective purchasers to refer to the sale brochure for advertisements released on or after the publication of sales brochures*" should be adequate in providing purchasers with the requisite protection.

On a further note, we are of the view that the proposed restriction on disclosure of GFA-related information should also be applied to residential properties sold in the second-hand market. If the reason given by government to propose such restriction (i.e. that different developers include different items in calculation of GFA will affect the accuracy of the purchase price of different residential flats) is justified, then the same concern is equally applicable to the flats sold in the secondary market. There is no good justification as to why the owners of second-hand residential properties should be exempted from such restriction. Accordingly, if, despite the above recommendations to keep the GFA-related information, government insists that there should be a total ban on the disclosure of GFA-related information, then, as a matter of fairness, the restriction on disclosure of GFA-related information should equally apply to second-hand residential property market.

Yours sincerely,

Anthony Wu  
Chairman

c.c. Mr Duncan Pescod, JP, Permanent Secretary for Transport and Housing (Housing) /  
Director of Housing