

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

16 August 2017

Dear Sirs

Re: New Board Concept Paper

We are writing in response to the SEHK's New Board Concept Paper and Consultation Paper on Review of the Growth Enterprise Market (GEM) and Changes to the GEM and Main Board Listing Rules of June 2017 (the "**Papers**"). Unless otherwise indicated, the terms used in this letter shall have the same meaning as in the Papers.

It should be noted at the outset that Tencent Holdings Limited adopts a one-share one-vote governance structure in its constitution. Our comments are focused on the continuing development of the Hong Kong market of which we are a committed member of, rather than being made with our own situation in mind.

We are in support of the general direction advocated by the SEHK in the Papers. The Hong Kong market has been a popular listing venue for PRC, regional and global companies for the past couple of decades. We believe that it is important for Hong Kong to remain competitive as a leading international financial centre, and it should be a matter of priority for listing policies to be conducive to attracting listings from high quality New Economy companies, which foreseeably will constitute a substantive part of the IPO pipeline in the future.

We are agnostic about whether the proposed New Board should be structured either as a stand-alone board or housed with the existing Main Board as separate segments. However, we strongly believe that in order for the proposals under the Papers to be successful, the SEHK should focus not only on the segmentation of the various boards and the eligibility requirements for New Economy applicants, but should also conduct a holistic review of the Listing Rules to cater to the special needs of those applicants necessitated by the mode of operations commonly adopted in the New Economy space.

TENCENT HOLDINGS LIMITED

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For example, compared to traditional companies, New Economy companies may face very different challenges in attempting to comply with existing requirements regarding competition, reliance, business delineation (where the traditional mode of geographical, customer or product delineation are increasingly becoming irrelevant in the Internet-based economy). Applying certain connected transaction concepts (eg. fixed monetary caps) to fast-growing businesses whereby the issuer does not necessarily have control over traffic of end-users often presents difficulties. Likewise, it should be reckoned that New Economy companies must adopt nimble employees' compensation and incentivisation practices to retain talents and stay competitive, and the current rules may not necessarily accommodate those needs.

We therefore suggest that, when the SEHK takes the proposals under the Papers forward, it should also take the opportunity to design a set of rules which have the needs of the New Economy companies in mind. In the regard, we believe that the approach adopted by the SEHK in 2009 in connection with the publication of the bespoke Chapter 18 for mining companies as a good example of how this could be achieved. We also believe that it will be useful for the SEHK to engage participants in the New Economy space in the process of drafting the detailed rules so that their needs could be thoroughly articulated and considered.

Tencent believes in the fair treatment of shareholders, which is critically important to maintaining the integrity of the Hong Kong market. We therefore support the SEHK's proposal that the acceptance of WVR be supplemented by full disclosure and appropriate additional safeguards.

We would expect the SEHK to take forward the proposals as a matter of priority and to work with market participants closely to come up with the detailed rule amendments. We believe that the ability to capture the era of New Economy issuers is important to the continuous success of the Hong Kong market, and critical in allowing Hong Kong to sustain a deep and liquid market which will be beneficial to investors and listed companies.

Yours faithfully



Richard PU
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