

DATE 20th August, 2018

The Stock Exchange of Hong Kong Limited
10th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Attention: [REDACTED] (response@hkex.com.hk)

Dear [REDACTED]

**Re : Consultation paper on Back Door Listing
Continuing Listing Criteria and Other Rule Amendments**

We are a listed investment company that invests substantially in Hong Kong equities listed on the Stock Exchange, as well as bonds issued by them.

**Proposal F(2), Page 47, Para 142
Rule 14.58(2)
Disclosure of Identity of Counterparty**

The new Rule 14.58(2) requires the disclosure of identity of counterparties in notifiable transactions. As transacting parties usually use a special purpose company incorporated in offshore centres such as British Virgin Islands or Seychelles etc., Rule 14.58(2) should mention whether it is sufficient to only disclose the name of the signing entity.

**Proposal F(2), Page 47, Para 144
Rule 14A.68(1A)
Disclosure of Identity of Beneficial Ownership**

The new Rule 14A.68(1A) requires the disclosure of identity of ultimate beneficial owners of the counterparty in a connected transaction. In the event the counterparty is 55% owned by a connected person, and 45% owned by 45 independent third parties owning 1% each. Should the listed company disclose the name of the 45 independent third parties? Is there a threshold below which identity of independent beneficial owners of the counterparty need not be disclosed?

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Proposal A(2), Page 16, Para 38

Rule 14.06B

Substantial Change in Board of Directors = Change in Control

With increasing shareholders' activism, substantial changes to the board of directors for improved corporate governance happen without any change in shareholding. Some of the board reshuffles can be initiated by outside shareholders and implemented for good reasons without any change in shareholding, and has nothing related to shell activities. Such changes may be caught under the new rule changes.

We are of the view that a change in control under Rule 14.06B should exclude a change in the board of directors.

Proposal B(1), Page 38, Para 108 & 109

Rule 13.24(1)

Demonstration of Business of Substance the Onus of the Listed Company

The new Rule 13.24(1) puts the onus of demonstrating a business of substance on the listed company. With a delisting consequence, "deeming" a listed company not having a business of substance is analogous to handing out a death sentence by the Listing Department. Due to the serious nature of the allegation, and the lack of benchmark, it is extremely easy for the Stock Exchange to label a listed company as not having business of substance. When the onus is on the listed company to prove the Stock Exchange wrong, and the judge is the Stock Exchange, it is hard to see fairness in the process.

We are of the view that the onus should be on the Stock Exchange to justify its decision, with unequivocal logics and reasons.

Yours faithfully,
For and on behalf of
SHK HONG KONG INDUSTRIES LIMITED



Mark Wong
Executive Director