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14 November 2016

Corporate Communications Department
c/o Hong Kong Exchanges and Clearing Limited
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1 Harbour View Street
Central, Hong Kong

BY FAX AND BY POST (Fax No. :2524-0149)

Re : Joint Consultation Paper on Proposed Enhancements to the Stock Exchange of Hong Kong Limited's Decision-Making and Governance Structure for Listing Regulation

The Company would like to submit our views on the joint consultation by the Securities and Futures Commission ("SFC") and the Stock Exchange of Hong Kong Limited ("HKEX") on the Proposed Enhancements to the HKEX's Decision-Making and Governing Structure for Listing Regulation as contained in the joint consultation paper dated June 2016 (the "Proposals").

The followings are some concerns we want to address in respect of the Joint Consultation Paper:

Destroy the Proven Effective Regulatory System

The existing regulatory system is a three-tier regulatory structure: Hong Kong Government, SFC and the HKEX/Listing Committee ("LC"). The front tier regulation is handled by HKEX. IPO approvals and listing rules formulation and amendments are handled by LC which is composed of market participants and professionals. SFC is the second tier regulator. Under the Securities and Future Ordinance, SFC has veto power as well as the rule-change power. The third and last tier is vested with the Hong Kong Government.

The existing system has been working well since 1988 and was re-affirmed by an expert consultation review in 2003. Hong Kong was ranked number one in the world in capital raised in 2015. Hong Kong is also a major market for Chinese enterprises. The Proposals suggest to establish two new committees: Listing Policy Committee ("LPC") and Listing Regulatory Committee ("LRC"). All IPO suitability matters will be given to the LPC and all policies and rules changes will be decided by LRC. LRC will also appraise performance and recommend salary of senior staff of the Listing Department of the HKEX with input from LC. Both committees will be dominated by SFC through its



control of who can be the members of those committee.

Under the proposed structure, the authority and the functions of LC will be limited to handle only common routine IPO and post IPO matters. SFC through its control of LPC and LRC can exercise its absolute power in both IPO approval and policy setting. The whole decision making dynamic will be changed. It is worrisome that such important decision making powers will be concentrated in few hands under the control of SFC. The existing check-and-balance function in the existing system will be damaged

Detrimental of Market Development

The proposed structure will concentrate power in few hands under SFC's control which will create a coterie that has regulator-minded. The regulator-minded set will less focus on market development. It tends to be risk-averse and conservative, and protect regulator by lifting the threshold up to such high level that discouraging companies to seek listing in Hong Kong. In turn, it will then reduce the competitiveness as international financial centre with the surrounding regions and countries.

Overtime, Hong Kong will shift from disclosure-based regime to merit (regulator)-base regime. It is noted that the Standing Committee of National People's Congress endorsed a plan on December 2015 to start a reform which would hand over the IPO vetting duties (suitability) to stock exchanges. This should be implemented in the 13th Five-Year Plan (2016-2020). The proposed structure will drive Hong Kong to the opposite direction.

Conclusion

The proposals will reduce the competitiveness as well as the attractiveness of Hong Kong as a preferred international financial centre for raising funds through listing of companies. Since the current regulatory structure is working effectively, it should be continued. It is no reason to change a system when it is working well.

Please note that we wish our name be withheld from publication.

Faithfully yours,
For and on behalf of

