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17 November 2016

Corporate Communications Department  
c/o Hong Kong Exchanges and Clearing Limited  
12/F., One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

By Email

Dear Sirs,

Re: SUBMISSION OF VIEWS –  
Consultation Paper on Proposed Enhancements to the Exchange's  
Decision-Making and Governance Structure for Listing Regulation

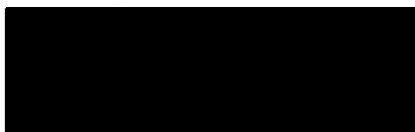
We submit our views on the joint consultation by the Securities and Futures Commission ("SFC") and The Stock Exchange of Hong Kong Limited ("Exchange") on the Proposed Enhancements to the Exchange's Decision-Making and Governance Structure for Listing Regulation ("proposals" or "proposed structure") as contained in the joint consultation paper dated June 2016 ("CP"), as follows:-

1. Hong Kong's economic success and attraction as a place to do business is due in large part to its long established reputation of free market, with the Government and regulators intervening only where necessary. The CP itself states "Hong Kong has always maintained an open market for international trade and investment". However, the CP does not explain why there is any perceived problem that needs to be addressed. Moreover, in our view, there are clear major potential pitfalls in the changes which the CP proposes.
2. The CP highlights Hong Kong's worldwide success as a listing centre. This in itself indicates that there is no need to introduce drastic changes as contemplated in the CP.
3. The case for intervention should be particularly strong, convincing and persuasive in the event that the proposed intervention constitutes a major and fundamental change to a successful *status quo*. The CP's proposals would constitute such a major and fundamental change, in spite of its efforts to present the proposals as mere "enhancements" to the current decision-making and governance structure.



4. Moreover, the CP does not only fail to make the case for the proposals it contains; there are clear potential pitfalls in these proposals. These include the following:
- The benefits of the experience and expertise of the 28 existing members of the Listing Committee ("LC") in deciding on listing applications will be largely lost, since they will only have the sole right to decide on mundane cases which raise no suitability or policy issues. It is precisely for the more complex cases that their experience and expertise is required, and which they should continue to be entrusted and fully delegated for making decision.
  - The introduction of two new committees, in particular the Listing Regulatory Committee ("LRC") as an extra layer on top of the LC, will make the system less efficient, rather than more efficient, and slow down the decision-making process on listing applications.
  - The proposed new unlimited joint-decision-making power on the more complex cases which the SFC would have, in contrast to its current limited power of veto, increases the risk that "doubtful" listing applications will be blocked by the SFC, because of its (arguably conflicting) role of protecting the investing public. In other words, it is likely to err on the side of caution by blocking the listing, rather than relying on its post-listing enforcement powers.
  - By creating extra obstacles on the path to a listing, we are particularly concerned that SMEs would find it more difficult to raise funds by way of a listing, and thereby to expand. Creating obstacles to the growth of SMEs in Hong Kong is not only bad for the businesses themselves, but is also detrimental to Hong Kong's competitiveness.
  - By creating such obstacles, the CP's proposals would jeopardize Hong Kong's position and reputation as a leading worldwide financial centre and free market economy.
5. In conclusion, the CP's proposals would likely result in a number of significant adverse consequences for Hong Kong's businesses and economy, in return for no justified benefit.

Yours sincerely,  
For and on behalf of  
The Wharf (Holdings) Limited



Kevin C. Y. Hui  
Company Secretary