



新鴻基地產發展有限公司

Sun Hung Kai Properties Limited

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

Dear Sirs

**Consultation Paper on Proposed Enhancements to the Exchange's Decision-Making and Governance Structure for Listing Regulation (the "Consultation Paper")**

First of all, we would like to welcome the opportunity to provide our comments on the Consultation Paper. Unless otherwise stated, terms not defined in this letter have the meaning ascribed to them in the Consultation Paper.

Policy Development

1. While we appreciate that the reform proposed is intended to enable the SFC and the Exchange to work together within a more collaborative setting as stated in the Consultation Paper, we understand that the Memorandum of Understanding Governing Listing Matters 2003 is still in force, and based on which the Exchange is "the frontline regulator of all listing-related matters and of issuers listed on its market", while the SFC shall "supervise and monitor the Exchange" (paragraphs 2.1 and 2.2 of the MOU). Based on our observation, the current arrangement whereby the SFC performs a supervisory role has been working effectively and we believe that this reflects the common sentiment among the listed companies in Hong Kong. Furthermore, there is no indication that there is currently any impediment for the SFC to carry out its statutory duty to supervise and monitor the Exchange to the extent that the regulatory standard in Hong Kong as an international financial market is compromised. Therefore, when there is a regime which works well and which is familiar to the listed companies in Hong Kong, we do not believe that it would be necessary to change the status quo.

Composition and Procedures

2. Based on the proposed arrangements in the Consultation Paper, the SFC and the Exchange will effectively enjoy equal representation in the new committees, such as the Listing Policy Committee and the Listing Regulatory Committee, and decisions made would require majority support. We note that the Consultation Paper does not address the issue where the members of each such committee are unable to arrive at a common decision, or in other words, a deadlock. The Consultation Paper should have considered the mechanism to resolve such deadlocks acceptable to all, failure of which would potentially lead



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to difficulties in providing clear decisions and guidance to the market. If indeed the Consultation Paper intends to enhance the supervisory and regulatory process, it should consider taking into account all likely outcomes to ensure that the proposed regime works effectively in all circumstances.

Oversight of the listing function

3. In relation to review of new applicants, based on the Consultation Paper, initial public offerings that require in-principle approval of the Listing Regulatory Committee (the "LRC IPO Cases") will involve vetting by the Listing Department of the Exchange, hearing before the Listing Committee, a second hearing by the Listing Regulatory Committee (and possibly the Listing Regulatory (Review) Committee for rejected applications). We are of the view that such three-stage approval process complicates the listing approval process and potentially delays the timetable for listing. We are of the view that the current dual vetting process whereby both the Exchange and the SFC review and comment the listing application and the draft prospectus should be sufficient from the regulatory oversight perspective. As the listing schedule of an applicant is affected by various factors, such as market condition, accounting requirements, etc., we believe the three-stage process imposes unnecessary hurdle to a listing applicant for a successful listing in Hong Kong.
4. Under the existing procedure, the Listing Committee is an independent reviewer of the decision of the Listing Department for an initial public offering or other listing rules related matters, while the SFC reviews and is able to object to any listing application or disapprove any waiver or modification of any listing rules which will have a general effect under Rule 2.04 of the Listing Rules. The existing procedure provides an effective "check-and-balance" function as well as having the Listing Committee (comprising mostly of investor representatives and market practitioners) taking up the role of striking a balance between over-regulation and market needs. The reform proposed under the Consultation Paper essentially combines the reviews by the Exchange and the SFC, thus removing such separate "check-and-balance" function by the SFC which is commonly expected of a statutory regulator and creating also "the danger of straight-jacketing the securities markets by a strict statutory regime which might all too easily lead to insensitive or heavy handed over-regulation".

Other matters

5. While we understand that the reform introduced under the Consultation Paper intends to enhance the regulatory supervision of the market, we submit that such objective could be achieved in other manners. In this regard, we echo some market alternative proposals, including increasing the number of members of the Listing Committee possibly with representatives of the SFC, rather than introducing a substantive reform of the existing regime.
6. If indeed the proposed changes are intended, mainly or partly, to avoid the SFC and the Exchange having a public rebuke of any of the Exchange's proposal (such as on the weighted voting rights in 2015), we agree with the public



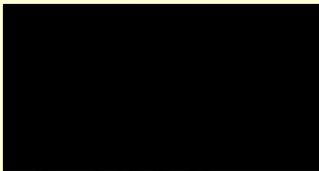
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sentiment that the market can only benefit from a transparent and open exchange of views between the regulators, rather than being informed only of the final decision made behind close-doors. Furthermore, the concentration of decision-making in the various committees comprising a few individuals as proposed in the Consultation Paper discourages expression of dissenting opinions which should be welcomed to ensure that Hong Kong remains a competitive and vibrant global financial market.

7. Separately, if the proposed changes are aimed to counter the widespread of reverse takeovers and "manufacturing" of shell companies, it is hard to see how such reform would be necessary to serve the purpose when the SFC could exercise supervisory role to monitor and punish the culprits under the existing mechanism.
8. In short, the market's general concern is that a more complicated decision-making regime may not be helpful to promote a more efficient and effective decision-making, approval and regulatory process, which in turn undermines the efforts to promote Hong Kong as one of the top destinations for initial public offerings. We understand that the market has high regard for and acknowledges the role, functions and operations of the SFC and the Exchange, and generally believes that the current system works well and hence does not require such changes as proposed in the Consultation Paper.

Yours faithfully,  
For and on behalf of  
Sun Hung Kai Properties Limited



Sandy S.T. Yung  
Group General Counsel and Company Secretary