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Consultation Paper on Proposed enhancements to the Exchange's Decision-Making and Governance Structure for Listing Regulation

Submission

Date: 8 September 2016

To: Corporate Finance Division
Securities and Futures Commission
35/F., Cheung Kong Center
2 Queen's Road Central
Hong Kong

and

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

From: Eagle Asset Management (CP) Limited
Suite 3008, Great Eagle Center
23 Harbour Road, Wanchai, Hong Kong

Dear Sirs,

We refer to the Consultation Paper on the proposed changes to the Decision-Making and Governance Structure for Listing Regulation of the Stock Exchange of Hong Kong Limited (the "Exchange") and would like to share with you our views and concerns in relation to the proposed arrangement.

We agree that we must ensure that the business environment and regulatory system evolves with the market to ensure that quality is maintained and that all participants can have confidence in a system. However, it seems that the proposed structures of Listing Policy Committee ("LPC") and Listing Regulatory Committee ("LRC") have failed to take into account the fundamental principles of separation of powers and check-and-balance.

manager of the
Champion Real Estate Investment Trust
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Furthermore, under the proposed structures, the authority to make final decisions about IPO applications or Listing Rules or Policies will be concentrated under the hand of a few persons. Although the Listing Committee ("LC") will be invited to give opinions to matters considered by LPC, its views are non-binding. LC comprises a group of 28 market practitioners with diverse expertise, experience and market perspectives. We have doubt on whether it is appropriate to have LC sidelined.

Allowing the LPC appraising the performance of senior staff of the Listing Department of the Exchange and its senior executives might help establishing clear accountability. But it might also like making the Listing Department a subordinate of SFC which is against the principle of check-and-balance to a great extent.

Furthermore, we do not think that LRC IPO cases can be easily distinguished from non-LRC IPO cases as there are no clear definitions of novelty or suitability. Hence, the proposed arrangement could be very confusing to all parties including the Listing Department, LC as well as the IPO applicants. We therefore have doubt on whether the proposal can simplify the process for IPO application.

We notice that currently there are various channels and mechanisms under the current regulatory system for coordination and cooperation between SFC and the Exchange on policy formulation and therefore proposing changes to the existing decision-making and governance structure of the Stock Exchange might not be the right way to combat current market problems. We consider that one of the effective ways to deal with this issue is to step up enforcement action against wrongdoers.

In conclusion, we think that general consensus on the proposed structures shall be obtained before implementing any changes to the current listing regulatory regime especially when the current system has been operated effectively and efficiently and has withstood for the test time. We strongly recommend the SFC and the Stock Exchange to withdraw the proposals as the stakeholders do not have general consensus on this subject. Nonetheless, we appreciate the effort of the SFC to review the current listing regulatory regime as Hong Kong should not be complacent about being a major international financial center.

For enquiry, please contact our

Thank you for your kind attention.