

LANGHAM

HOSPITALITY INVESTMENTS

8 September 2016

BY FAX (2810 5385) AND BY POST

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

and

BY FAX (2524 0149) AND BY POST

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,

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

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"). While we appreciate the efforts of the Securities and Futures Commission ("SFC") to review the current listing regulatory regime, we have doubts if the proposed structures work for Hong Kong. Taking this opportunity, we would like to share with you some of the critical issues and concern arising from the proposals.

According to the Consultation Paper, SFC has the right of nomination and approval of who can become members of the proposed Listing Policy Committee ("LPC") and Listing Regulatory Committee ("LRC"). It is therefore very likely that LPC and LRC will be dominated by SFC. We are afraid that the proposed structure will result in concentrating the authority to make final decisions about IPO applications or Listing Rules or Policies under the SFC and only by a few persons. Comparing with the

LANGHAM

HOSPITALITY INVESTMENTS

Listing Committee (“LC”) consisting of 28 market practitioners with a broad and diverse expertise, we are concerned that the proposed compositions of both the LPC and LRC to a great extent miss the basic principles of diversity and check-and-balance.

Although the LC would be invited to give opinions on matters considered by LPC, their views are non-binding. Members of the LC will not be motivated to act as proactively as they are currently under the existing structures. It is inconceivable why Hong Kong will sideline the platform which comprises diverse expertise, experience and broad market perspectives and which is working well.

According to the Consultation Paper, LPC will appraise the performance of senior staff of the Listing Department of the Exchange and its senior executives. This arrangement is unacceptable as the Listing Department is “defacto” under the supervision of SFC, effectively giving SFC full control of the entire listing regulatory regime with no check-and-balance.

Besides its structure and composition, the proposed mandate of the LRC has inherent problems. According to the proposal, LRC will oversee, guide and decide on matters which involve the suitability for listing of a new applicant and its business. However, it is always difficult to give a clear definition for novelty or suitability as every case is different. It might not be an easy task for the Listing Department to decide whether an IPO application is an LRC IPO case or otherwise. Even if the Listing Department has decided it is not an LRC IPO case at the beginning, new issues might arise during the prospectus vetting process giving rise to reclassification of the case as LRC IPO case. It is also not clear whose decision on the LRC IPO case classification shall be final. Therefore, we are of the view that the proposed structures would lengthen and create uncertainty to the listing approval procedure.

At present, there are various channels and mechanisms under the current regulatory system for coordination and cooperation between SFC and the Exchange on policy formulation. The current dual filing system is to make sure SFC is kept fully informed of any listing application and SFC can intervene at an early stage and SFC has oversight and control of the formulation and administration of the Listing Rules and listing policies. Hence, it is not the existing decision-making and governance structure of the Stock Exchange to blame for being unable to combat current market problems.



LANGHAM

HOSPITALITY INVESTMENTS

In conclusion, we do not agree that the regulatory issues which arise today can be better addressed by adopting a holistic approach towards listing regulation as mentioned in the Consultation Paper. We believe that it is the role of the SFC to police, monitor, and punish wrong doers and indeed, the reorganization of listing function has no real jurisdiction over market misconduct. We therefore strongly recommend the SFC and the Stock Exchange to withdraw the proposals in their entirety.

Thank you for your kind attention.

Yours faithfully,
For and on behalf of
Langham Hospitality Investment Limited

Ip Yuk Keung, Albert
Chief Executive Officer

