

**CHEUNG KONG PROPERTY HOLDINGS LIMITED 長江實業地產有限公司**

(A limited liability Cayman Islands company registered and listed in Hong Kong) (於香港註冊及上市之開曼群島有限公司)

19th September, 2016**BY HAND AND BY FAX (2810 5385)**

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

BY HAND AND BY FAX (2524 0149)

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 (the "Consultation Paper")

We write to express our significant concern in relation to the regulatory structure proposed in the Consultation Paper.

The current three-tier regulatory structure, comprising the FSTB, the SFC and the Exchange, which was established pursuant to the Hay Davison Report published in 1988, has been functioning well since. The Listing Committee (LC) is a unique feature of this structure devised to reduce any actual or perceived conflict of interest between the performance of the Exchange's regulatory powers and functions in relation to listing and policy matters on the one hand and its commercial interests on the other. The LC is at the same time an independent decision maker as well as an advisory body for the Exchange. It is also a major contributing factor to the success of Hong Kong as an international financial centre. As acknowledged in the Consultation Paper, this structure has served the market well.

The LC is a well-balanced committee, comprising 28 members of different backgrounds and professions with 8 members representing the interests of the investors, and the rest representing listed issuers and market practitioners, including lawyers, accountants, corporate finance advisors, sponsors and exchange participants. They are market experts in their respective fields of professionalism. The diversity of their background and professional areas have brought with them comprehensive experience respecting the needs of the market and unique insights and perspectives regarding the global economic environment and direction of market trend. The LC represents an active voice from the market on issues concerning both IPO matters and policy setting.

The Consultation Paper proposes for policy setting to be vested in a 8-person committee (the Listing Policy Committee) comprising an equal number of representatives from the SFC on the one hand, and the Exchange, on the other, with a curious quorum as regards a LC investor representative. Any recommendation of the LC on policy matters will not be binding on the LPC. The proposed change substantially undermines the relevance of the LC and the active voice that represents the different market sectors in contributing their experience and perspectives towards shaping the policy on market regulation. Policy and its direction affect

...12-4

**CHEUNG KONG PROPERTY HOLDINGS LIMITED 長江實業地產有限公司**

(A limited liability Cayman Islands company registered and listed in Hong Kong) (於香港註冊及上市之開曼群島有限公司)

-2-


all companies that are listed on the Exchange, whether incorporated in Hong Kong or otherwise. It will also bring about a ripple effect on all related commercial, banking and professional sectors.

IPO vetting goes hand in hand with policy setting as the former provides a cumulative context to which any discussion and formulation of policy should have due regard. The Consultation Paper's proposal for listing approval decisions to vest in a 6-person committee (the Listing Regulatory Committee), with a similar set up and quorum requirement as the LPC, will have the same dampening effect on the role of the LC and the active voice of the market and related sectors as deliberated above. The separation of the current roles of the LC in IPO vetting and policy setting into the realms of the LC, LPC and LRC, all devoid of a holistic perspective of the landscape, would in due course lead to dichotomy and incoherent decisions.

The SFC, having been entrusted with the veto power with respect to both IPO approval and policy setting, has played an effective role and significant function as a gatekeeper as contemplated in the Hay Davison Report, to ensure an orderly and open market as well as providing a level-playing field for market participants. Such status quo should be preserved, although consideration could be had to enhance the current dynamics between the SFC, the Listing Department and the LC enabling direct communication and dialogue between the SFC and the LC to exchange and discuss views interactively, to enhance efficiency studiously.

The proposals outlined in the Consultation Paper postulates a fundamental change in the current three-tier structure. Any proposal for significant change should provide a clear and exact deliberation of the objective of the exercise, the rationale behind and the compelling reasons therefor, thus enabling discussions on the specific issues at stake. The regulatory structure of Hong Kong is critical in determining the future of its financial market and related commercial, banking and professional activities. The impacts and repercussions of any structural change should therefore be treated with caution.

Yours faithfully,

 Eiréne Yeung
Member of Executive Committee
& Company Secretary