



Mr. Ashley Alder, JP
Chief Executive Officer
Securities & Futures Commission
35/F, Cheung Kong Centre
2 Queen's Road Central
Hong Kong.

Joint Consultation Paper on Proposed Enhancements to the Stock Exchange of Hong Kong
Limited's Decision-Making and Governance Structure for Listing Regulation

Dear Mr. Alder,

I am writing to express that we oppose the Proposed Enhancements to the Stock Exchange of Hong Kong Limited's Decision-Making and Governance Structure for Listing Regulation stated on your Joint Consultation Paper. The reasons are as follow:

1. Hong Kong is one of the most efficient IPO markets in the world, and the current Listing Committee, which comprises a breadth of talents from the cream of professionals, investors and listed companies, works well from market practitioners' point of view.
2. The formation of the proposed Listing Regulatory Committee (LRC) will have SFC representatives, who are lawyers who have no real financial market experience.
3. SFC is legally empowered to veto an IPO with 10 days after the approval of the Listing Committee anyway, while the proposal would allow SFC via LRC to veto an IPO right away. Such change will give SFC unprecedented power on IPOs at both the "front door" and the "back door" unnecessarily.
4. The wrong doers in market manipulation or fraud should be prosecuted, but closing the door to qualified IPO applicants in order to prevent market misconduct will block the legitimate channel of fund raising for many SMEs. Market misconduct should be dealt with by enforcement instead.

The above concerns are also in line with the comments that Joseph Chan gave to you during your meeting on 13th Sept.

In summary, the proposal will inevitably lower the efficiency of Hong Kong's IPO market unnecessarily. In order to protect Hong Kong's status as a leading international financial center and SMEs' legitimate channel of fund raising to grow their business, we oppose such proposal stated on your joint consultation paper.

Regards,

Felix Chung
Party Leader

Joseph Chan
Convener of Economy Panel

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25th July, 2016

Hong Kong Exchange and Clearing Limited
12/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Attn: Mr. Chow Chung Kong, Chairman/ Mr. Charles Li, Chief Executive Officer

Dear Sirs,

RE: Proposed structural and procedural enhancements to listing regulations

We refer to the joint consultation paper published by the Securities and Futures Commission ("SFC") and the Hong Kong Exchange and Clearing Limited ("HKEx") on 17th June, 2016 in relation to "Proposed Enhancements to the Stock Exchange of Hong Kong Limited's Decision-Making and Governance Structure for Listing Regulations" (hereinafter the "Consultation").

Although the Liberal Party agrees that quality in the market should be maintained so that all participants can have confidence that it is fair, efficient, orderly, transparent and competitive, we do wish to express our concern in certain aspects of the Consultation and latest regulatory practices.

Listing Regulatory Committee ("LRC")

The proposed formation of the LRC in which both SFC and the HKEx will be able to appoint an equal number of members would not work. This is, in effect, going to give unrestrained power on listing decisions to the SFC.

The Liberal Party fears that, such proposal, if adopted, is going to significantly hamper listing activities, driving new listing applicants away from Hong Kong. Ultimately, this is going to further stifle trading volume.

For listed issuers, this is going to create huge uncertainty in any listing related decisions.



In the meantime, the direction of any policy reform should continue to be disclosure based rather than approval based, as what major financial markets around the world have been practicing.

We propose an urgent meeting to be arranged with you to convey further concerns from listed issuers and potential listing candidates in relation to the Consultation and other listing matters.

We look forward in hearing from you soon.

Regards,

Hon. Felix CHUNG
Chairman
Liberal Party

Joseph CHAN
Convener, Economy Panel
Liberal Party